

**TESTIMONY OF
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OF THE
EXPORT-IMPORT BANK OF THE UNITED STATES
BEFORE THE
SUBCOMMITTEE ON COMPETITIVENESS, INNOVATION, AND EXPORT
PROMOTION
COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION
UNITED STATES SENATE**

OCTOBER 6, 2009

EX-IM BANK IN A TIME OF ECONOMIC CHALLENGE

Madam Chairwoman, Senator LeMieux, Members of the Subcommittee:

Before I begin my testimony, I would like to say that Chairman Hochberg wishes he could be here but he is in Boston attending one of Ex-Im's export promotion seminars with small- and medium-sized businesses.

Thank you for holding this hearing to further focus on the importance of exports on U.S. economic growth. We all hope that the difficult economic times are ending and that the recovery has begun. While I will not make a prediction on these matters, history does indicate that during periods of economic recovery, job growth lags behind recovery in the rest of the economy. Due to the severity of the economic downturn, and while many

Americans remain jobless, the Export-Import Bank of the United States (Ex-Im Bank) has been called upon to step up in these difficult times, just as we did during the Great Depression, the Marshall Plan, as well as the Brazil, the Mexican and the Asian economic crises.

It is a sense of urgency and purpose which pervades our work at the Ex-Im Bank as we go about fulfilling our mandate of supporting U.S. jobs by helping to finance exports that would not otherwise go forward. This is the mandate that Congress has given us and the one we have been following for 75 years.

Ex-Im provides loans, loan guarantees and insurance to help U.S. companies export their goods and services. We have a variety of products to facilitate commerce at all levels. From financing for Boeing aircraft to Ireland, to engineering services for a power plant in India, to the equipment that manufactures saline bags in Nigeria. Ex-Im helps American business reach the 95% of the global marketplace that is outside of our borders.

And in the current economic crisis Ex-Im stepped in where private banks could not.

A brief review of our FY 2009 figures will give you an idea of what I'm talking about. Though we are just closing our books and the exact numbers are still being finalized, I can report that FY 2009 was a record year for Ex-Im Bank activity. Our authorization level for transactions was \$21 billion, compared to an average of \$13.3 billion for the previous five fiscal years. Our small business transactions were over \$4 billion, 29% higher than FY 2008. The number of small business transactions was 2,269, or 88% of all transactions supported by the Bank.

What's more, we have done all this at no expected cost to the U.S. taxpayers. Ex-Im Bank is financially self-sufficient. This means that we are able to finance our program budget, the amount we must set aside to cover risks, as well as our administrative budget, through the fees and other payments we receive from those using our programs.

Ex-Im Bank was able to fill the financing gap in a number of ways.

First, is institutional flexibility. Institutions such as Ex-Im Bank have to be prepared to respond to abrupt changes in the environment in which they operate. For instance, in the years prior to FY 2009, most of the Bank's larger transactions, and some smaller- and medium-sized, were financed through loan guarantees, where Ex-Im would guarantee up to 85% of a commercial bank loan to a foreign buyer. But Ex-Im also had the option of lending directly to a foreign buyer. In FY 2009, commercial banks lacked the liquidity to offer loans. So, where appropriate increasingly, Ex-Im stepped in and provided direct loans.

Another example is our work with the Korean banking sector. In FY 2009, Ex-Im provided over \$1 billion in guarantees due to U.S. lenders reluctance to take Korean bank risk related to export letters of credit. As the risk appetite of U.S. lenders increases, Ex-Im will be able to gradually withdraw its support.

In our working capital program, the Bank revamped its credit standards to help small businesses so that exports could be stimulated and U.S. jobs sustained and created. These actions have led to a banner year for the working capital product, eclipsing the former record for authorizations by over \$70 million. We, of course, are carefully monitoring this portfolio to minimize default risks.

Also to assist small businesses, the Bank implemented new products and services such as a premium rate reduction of 15% on our short-term multi-buyer insurance policies and short-term small business environmental multi-buyer insurance policies. The premium rate reduction affects approximately half of all Ex-Im insurance policy holders.

During this economic downturn, Ex-Im has introduced what we call a "take-out" option, which allows commercial banks to sell their Ex-Im Bank guaranteed medium and long-term

loans back to Ex-Im. This enables commercial banks to reduce their liquidity risks, lower borrowing rates, increase their own ability to lend and make U.S. exports more competitive.

Looking to the future, we are seeking ways to do even more. Inter-agency coordination and cooperation can be strengthened through the Trade Promotion Coordinating Committee, or TPCC, which is made up of 20 U.S. government agencies involved in trade, under the direction of the Department of Commerce. The Secretary of Commerce, who serves as the committee's chairman, has made a vital TPCC a strategic priority. I am looking forward to working with Secretary Locke and the TPCC to ensure that every effort is made to reach out directly to small businesses that either currently export or could potentially export.

Ex-Im, in close cooperation with other government agencies, is doing this through an eight-city Exports Live series, which will provide exporters, small businesses new to exporting, and banks in New York, Boston, Miami, Houston, Detroit, Chicago, Los Angeles, and Seattle areas with direct access to agency representatives from Ex-Im, SBA, Commerce, USTR, OPIC, and TDA, along with one-on-one counseling for exporters. Moreover, all of the regional offices of Ex-Im, including New York, Miami, Houston, Chicago, Los Angeles, and San Francisco, are fully devoted to small business outreach. We host or attend over 400 conventions, seminars, or trade shows annually, have thousands of one-on-one meetings with businesses, and work aggressively to ensure banks, and economic development agencies are aware of Ex-Im and the products and services we offer.

We estimate that there are 259,000 actual small business exporters in the U.S. With a business development staff of less than forty, Ex-Im is working incredibly hard to reach these companies, however speaking candidly, we have work to do in terms of raising our profile.

Similar outreach efforts are necessary to get commercial banks involved, or in many cases, re-involved as the banks are closer to American business, and can advise business on the resources Ex-Im and other federal agencies can offer to increase their sales and increase employment.

Because of our limited resources, we need to use more third party “multipliers” in our outreach efforts. For instance, we are redoubling our efforts to partner with senators, members of Congress, governors, mayors, state legislators and others to host in-state trade seminars with local businesses.

We stand ready to work with you to help finance exports from businesses in your states and across the country. And while there is still much more to be done, we know how to do it and what the goal is - to increase U.S. exports - thus increasing U.S. jobs.

I will be happy to answer your questions.