TRADE FINANCE ADVISORY COUNCIL

June 29, 2018

The Honorable Wilbur Ross
Secretary Of Commerce
1401 Constitution Avenue NW
Washington, DC 20230

Dear Secretary Ross,

As Chair of the Trade Finance Advisory Council, I wish to express the continued commitment of the Council members to provide an effective mechanism for stakeholder input on addressing key ongoing challenges in stimulating and facilitating small business exports and the need for collaboration between the public and private sectors. In addition, the recommendations issued at our most recent public meeting mark the final ones under the current charter. In these recommendations to the Department of Commerce, we draw your further attention to the importance of effective collaboration with other key Federal Agencies that are also directly involved in the effort to bolster exports and the growth of small businesses.

The Trade Finance Advisory Council was established with the specific goal to increase funding to facilitate exports to further job and economic growth throughout the United States. In order to achieve this, the TFAC is focused on the following objectives to:

• Provide a forum to facilitate discussions between a diverse group of stakeholders such as banks, non-bank financial institutions, other trade finance related organizations, exporters, and relevant U.S. government agencies to identify challenges faced by U.S. exporters in accessing finance;
• Draw upon the broad experience of its members to identify innovative solutions to these challenges; and
• Develop recommendations on programs and activities that the Department could incorporate as part of its export promotion and trade finance education efforts.

During our June 21st public meeting, we brought forth and ultimately approved four different recommendations intended to address key opportunities to increase private sector capacity for financing and facilitating small business exporting. Several key challenges were identified, both by council members and through interactions with other government agencies such as the Small Business Administration (SBA) and the Federal Reserve System which include capacity constraints of the SBA and the Export-Import Bank in providing services to exporters and the need for improved data analysis to better understand these needs. Given the important role that these agencies and the data requirements play in understanding and promoting exports, it is in alignment with TFAC's mission to examine how to develop more effective partnerships.

The TFAC held a public meeting at the U.S. Department of Commerce in Washington, D.C. on June 21, during which the Council approved the following four recommendations to help address these challenges to:

- **Expand the Capacity and Effectiveness of the Office of International Trade at the U.S. Small Business Administration –** To reorganize export lending under the authority of the Office of International Trade, modify lending rules to better facilitate technology exports, and improve training and capacity of its workforce.
- **Integrate Trade Finance related questions into the Federal Reserve Annual Small Business Credit Survey –** To utilize the annual Federal Reserve survey to ask questions of small business exporters about their capital needs and to utilize the responses to inform both TFAC and the Department of Commerce.
- **Expand Public sector insurance & guarantee Capacity through -Private sector reinsurance –** To analyze the costs structure and viability of using private sector reinsurance to expand the insurance and guarantee capacity of public sector agencies like the Export-Import Bank, SBA and other agencies to expand funding for exports.
- **Effective Utilization of US Export-Import Bank as a Competitive Tool to Promote US Jobs and Exports –** To ensure a fully functioning Ex-Im Bank board and board quorum to provide guarantee capacity for transactions above $10 Million and increase small business exports, and to utilize the ex-officio role of the Secretary of Commerce to provide input and leadership in reshaping the direction of the Bank.

The ultimate goal of the recommendations is to provide tools and key data for the U.S. Government and private sector lenders to address the growing gap in financing for U.S. companies, especially small and medium sized enterprises with the aim of boosting exports and U.S. economic growth. We request that you share these recommendations with the Administration and your agency colleagues as you deem appropriate. More detailed information on these recommendations is provided in the attachments.

We remain at your disposal to review and discuss these recommendations in greater depth directly with you and your team. We look forward to hearing from you.

Respectfully submitted,

Kevin Klowden, Chair
On Behalf of the Trade Finance Advisory Council

TRADE FINANCE ADVISORY COUNCIL

Developing Effective Means for Improving Capacity of the Office of International Trade at the US Small Business Administration

<u>Background</u>

The United States Small Business Administration plays a key and significant role in both the promotion and financing of exports by small businesses in the United States. Representatives of the Office of International Trade (OIT) at the SBA play a significant role in partnering with the U.S. Department of Commerce at Export Assistance Centers throughout the country. In particular, they provide a much-needed partner in addressing financing and expertise needs for small businesses that are interested in and wish to export outside the United States. Approximately 98% of America's exporters are small businesses, which account for 1/3 of all U.S. export dollars. But, less than 5% of U.S. small businesses export and the number of small business exporting firms is on the decline, suffering a 3.5% drop between 2014 and 2015. Small businesses are defined by the SBA nominally as firms with fewer than 500 employees, though there is some variation for manufacturing and related firms, where size is determined additionally by revenue. The banking industry continues to emphasize that gaps in trade and export finance are adversely impacting the export prospects of U.S. small businesses across international markets. U.S. banks have become more risk-adverse and price-sensitive for trade financing, which has reduced financing options. The financing gap is particularly pronounced for loans under $1 million.

There are three fundamental challenges faced by the current structure of the U.S. Small Business Administration, and in particular the Office of International Trade, in addressing the needs of small business exporters. These can be summarized as a need for reorganized and retargeted aims and operation of export finance loans, streamlining and modifying export finance regulations, and bolstering.

The lack of training, trade finance, resources and sufficient representation in trade negotiations adversely impacts U.S. small business exporters' access to global and emerging markets. The 2016 Small Business Exporting Survey reported that "nearly half of non-exporting firms surveyed said they would be interested in exporting if some of their concerns could be addressed – chief among those concerns were lack of knowledge and how to get started; concerns over getting paid; and regulatory barriers and complexity". SBA has not properly staffed of its OIT operations and cannot provide adequate support for the SME's that could benefit greatly from the attainment of the required SBA's staffing level policy for OIT field personnel.

The Small Business Act of 2010 directed SBA's Office of International Trade to expand export training, promote international sales opportunities aboard, increase trade finance support, and help ensure that trade agreements afford small businesses equal access to international markets. However, its tools are currently limited as it is missing a key component to its work. SBA's trade finance products are currently managed under its domestic loan product department (i.e., Office of Capital Access), which concentrates on long-term financing of domestic fixed assets whereas, international trade finance products are short-term and underwritten based on international risk factors.

The U.S. has a competitive advantage in the technology sector. This advantage creates global demand for U.S. technology company goods and services. Many of these tech companies utilize global components and assemble them into their products prior to exporting. This results in the U.S. Small Business Administration export programs being a very good fit for these companies even if they do not meet the threshold of having the technology be licensed for a year or more prior to the loan required by the U.S. Export-Import Bank.

SME's in the technology space face an additional hurdle when dealing with SBA export financing rules. Many of them have to raise equity capital since the upfront costs of technology are large. Often they will go to professional investment companies or high net worth individuals for the capital. It is not unusual for the company to raise their funds from a small number of investors whose ownership percentage exceed 20%. The problem that arises is the SBA requires that all 20% or greater owners guaranty the loan. This makes sense when the 20%+ investors are also the owner-operators of the business. However, when the owner is an outside investor or investment house, those investors refuse to provide loan guarantees. This results in SME's in the technology space often being ineligible for the SBA export programs when these companies often have the best opportunity to scale their business globally.

<u>Recommendations:</u>
In order to provide stronger resources and capital for small and mid-sized firms, as part of the charter of the Trade Finance Advisory Council, we strongly recommend that the Secretary of Commerce collaborate with the leadership of the U.S. Small Business Administration to encourage the implementation of these specific key changes to the operations of the SBA Office of International Trade.

We recommend that the SBA Office of International Trade have full authority to originate and provide capital for export financing as opposed to the current structure which requires the funding to be provided by the Office of Capital Access, which does not necessarily have the training or personnel to understand the needs of exporting clients. Further, we recommend the hiring of additional staff at the Office of International Trade to facilitate and promote these loans and similar instruments. We also recommend coordinating training and outreach tools previously recommended by the TFAC for US Export Assistance Centers to be extended to OIT personnel to provide them with additional understanding not only of the needs of exporters, but also of alternative sources of capital for firms that do not meet the profile for SBA financing. We further recommend a reform of SBA finance lending rules for exporting to facilitate the extension of credit for technology based firms which have provided some of the highest demand products for export. This would involve revising ownership rules to allow waivers for firms where minority passive investors who own a less than 50 percent stake are not needed to secure the financing of the loan for the business. Further, the financing rules should also specifically allow and facilitate loans of longer terms such as five to seven years, in order to provide for the completion of longer term projects and contracts for exporting.

SME’s need access not only to short term export credit but also medium and long-term loan programs. The experience of a current TFAC member, e.g., can provide a specific case in point. The company patented and proprietary BlockChain software products for the Museum and Energy Trading markets. The typical lease of the software is for three years. However, Green

Data Centers incorporating the Renewable Energy Projects, require a minimum of 5-7 years finance for our overseas clients.

Aims

The aim of these recommendations is to provide improved resources not only at US Export Assistance Centers, but also as part of facilitating and encouraging a more active role for the SBA in financing small business exports. By increasing the capacity and effectiveness of the SBA Office of International Trade, the Department of Commerce staff will have a stronger set of public sector tools to which to refer clients, as well as a stronger ally in outreach and recruitment of new to export firms.

TRADE FINANCE ADVISORY COUNCIL

Integrating Trade Finance into the Federal Reserve Annual Small Business Credit Survey

Background

Each year, the Federal Reserve Bank system conducts an annual survey on the status of credit and capital access for small businesses throughout the United States. This survey has been conducted by different branches of the Federal Reserve Bank depending on the year, but over the past year, the survey was conducted and coordinated by the Federal Reserve Bank of Atlanta with the assistance of the Federal Reserve Bank of New York, following a multi-bank effort first launched in 2014, and launched nationally in 2016. This instrument is viewed as not only a key mechanism for determining the state of capital access for small business in the country, and continues to adapt its questions each year based on evolving input and priorities. The Trade Finance Advisory Council (TFAC) was created to advise the Secretary of Commerce in identifying effective ways to help expand access to finance for U.S. exporters, especially small-and-midsized enterprises (SMEs). While the existing Federal Reserve survey lacks specificity with regards to the status of trade financing as part of credit access, we believe there is significant benefit in expanding the survey's scope to include more directed questions which could provide further guidance both for the Department of Commerce (Commerce) as a whole and TFAC in particular. Further, this set of recommendations would provide a significant opportunity for Commerce to collaborate with the Federal Reserve Banks in future iterations of the survey to specifically obtain data on how to access greater support for export transactions (i.e., trade finance) particularly for SMEs' needs. This could directly influence policy making decisions by Commerce, the Federal Reserve Bank and also lending institutions that rely on such independent sources of information.

Because the window to provide input for the survey needs to occur between spring and summer each year, we recommend that Commerce considers engaging with the Federal Reserve System as soon as possible to provide organized and clear input into the process that the Federal Reserve staff could then utilize to formulate related questions for upcoming surveys. Further, we would like to see a formally authorized engagement process that would allow for the development of a question set that could be repeated in multiple years in order to more effectively collect and aggregate data.

The TFAC stands ready to provide direct input into the development of a set of questions that would help better identify current challenges in accessing trade finance for companies looking to expand to foreign markets for the first time or to additional markets. The benefits of having specific questions regarding trade finance in the Fed survey is significant. The survey included answers by over 10,000 employer firms classified as small businesses, of which approximately

4,700 applied for credit in some form. The firms surveyed sought and received financing from several categories of sources- including small banks, large banks, online lenders, credit unions and CDFIs, which further aligns with several key aims and efforts of the TFAC. The inclusion of a trade finance component in the 2018 and/or future consecutive surveys would not only provide more effective and targeted statistical support for policy decision making at Commerce, but could also more broadly benefit other US export financing agencies such as the Small Business Administration and Export-Import Bank.

Recommendations:

The Trade Finance Advisory Council recommends that the Department of Commerce explore further collaboration with the Federal Reserve Banks to incorporate trade finance related questions into the 2018 Federal Reserve Annual Small Business Credit Survey, and in future iterations of the same survey consider developing, a specific module on access to credit for small business exporters. We recommend the following actions be endorsed by the Secretary of Commerce for implementation by the Department of Commerce in collaboration with the Federal Reserve Bank.

The Secretary of Commerce should consider the opportunity to collaborate with the Federal Reserve Banks on the development of specific questions intended to target small businesses particularly those interested or engaged in exporting. Commerce could build upon existing collaborations with the Federal Reserve Bank of Saint Louis to expand its input and utilization of the survey. We recommend that Commerce further facilitate the distribution of findings from the survey to selected partner organizations to aid in their mission and engagement of small business development for the purpose of encouraging and promotion of exporting.

We further recommend that the International Trade Administration should work directly with the Trade Finance Advisory Council and the Federal Reserve Bank staff in conducting the Annual Small Business Credit Survey and developing and including a module on export challenges that businesses face in accessing capital to support export operations and export growth. This module's development would be facilitated by direct input from TFAC on both the concept of the questions as well as providing critical feedback. In addition, the United States Export Assistance Centers would provide a further network to both provide further feedback and ensure an increased number of exporters are involved in taking the revised survey.

The Trade Finance Advisory Council should examine and integrate results from the initial question on trade finance included in the 2017 Survey and should further examine and integrate results from all future surveys into its own engagements for developing further recommendations regarding capital access in regards to exports.

Aims

The benefits from the inclusion of specific questions in regard to trade finance, and more particularly questions regarding to the availability of export finance, the kinds of export finance that is offered to small business, and the types of institutions offering trade finance, is essential information that could provide significant benefit both to government agencies as well as to the private sector.   Specific data provided by the survey could provide key information to the SBA, Ex-Im Bank, the Department of Commerce, and more specifically, US Export Assistance Centers to not only provide more effective outreach to small businesses, but also to make a stronger case to key lenders who may have previously ignored or underserved the market for small business export finance.

Expanding the scope of the annual Small Business Credit Survey has the potential to enable the development of greater insight into the utilization of trade finance. This recommendation is both the result of the active work of the TFAC for consideration of by the Department of Commerce, and intended to provide a significant additional tool for the work of the TFAC and similar entities going forward.

TRADE FINANCE ADVISORY COUNCIL

Public-Private Sector Reinsurance Programs

Context

Given the cost and capital constraints that TFAC has documented in prior analyses, specifically that bank regulation, funding regulation, and capital cost limit a bank's ability to provide SME credit, it is necessary for the banks to identify some form of support to enable them to increase SME financing. The existing public sector channels to support SME financing – such as Export Import Bank – are constrained, as program resources are finite, insurance and guarantee funding is capped and the effectiveness of such programs may not be completely evident. The ability to increase public sector risk capacity and/or provide more resources for operational capacity is highly constrained. The financial impact on public sector debt and the political impact of ongoing disagreement on the usefulness of such programs strongly underscores the TFAC premise on the necessity to further develop private sector funding support to enhance public sector programs. TFAC therefore believes it would be highly beneficial to evaluate the effectiveness of some of these the programs by examining the current cost of operating them today against the feasibility and cost of introducing reinsurance to support them.

Various Federal and State agencies offer programs to support U.S. small businesses, exporters and their financial services suppliers. These programs enable the companies to compete and grow in the global supply chain to benefit the U.S. economy. Certain of these programs involve the use of insurance or guarantees where a government agency accepts principal loss. An independent private sector review of such programs could calculate the cost to assume the risk, and enable price transparency of the fee or reinsurance premium to cover the risk. In order to cap the cost of such government funding/ for incentive programs, leveraging the reinsurance market for government export and SME programs should be analyzed. The goal would be to explore how reinsurance could reduce the $1.7 Trillion credit gap previously documented by the TFAC from analysis of Federal Reserve data. As part of that analysis, private sector returns in trade credit insurance and guarantees and private sector trade credit equity growth should be examined in order to better assess prospective costs for such risk transfer from the government to the private sector. The overall goal would be to determine whether private sector reinsurance would derive incremental credit support available from existing government programs via a public private sector collaboration encouraging the use of private sector capital.

Evaluating the effectiveness of such programs presents challenges, particularly because the impact of such program incentives must be analyzed over the long term, especially in the case of certain Export Import Bank programs where repayment tenors are longer than one year.

Numerous government insurance and guarantee programs are designed to provide credit support. Credit risk reflects solvency, meaning the ability to pay back creditors for borrowing that is undertaken and solvency risk is tied to cycles influenced by both interest rates and economy growth rates (see Figure 1). As interest rates and growth have been low over most of the current decade, insight into solvency over this period is limited. It would be of significant benefit quantitatively to evaluate various government programs over longer periods of time, spanning multiple cycles of interest and growth rates to assess the cost to the government of providing such programs.

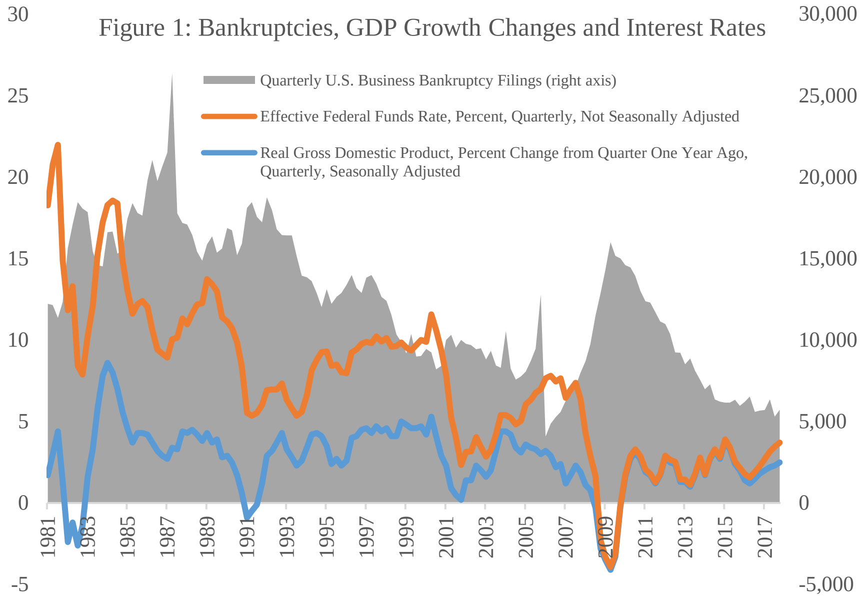


Figure 1: Bankruptcies, GDP Growth Changes and Interest Rates

One way to understand the cost of such programs is to establish the "transfer price" of such a program – meaning the price that the public sector would have to pay for reinsurance to transfer the risk to the private sector. In this example the transfer price is set by the private sector as it has no incentive to take on the risk without an acceptable return. Leveraging risk transfer using reinsurance will allow the government to determine more explicitly the costs and effectiveness of the current insurance and guarantee programs over time. Further, analyzing growth in private sector trade credit profitably and equity growth will enable the public sector to assess the relative cost of risk transfer.

Benefits of Reinsurance Program

TFAC recognizes the significant benefit in understanding the cost of transferring the public sector insurance or guarantee risk to the private sector. Such benefits include: clear price transparency, the opportunity to diversify the sources of capital away from the public sector, and to allow programs to scale without additional risk to the taxpayer.

As already highlighted, one path is to evaluate the cost of leaving the insurance or guarantee programs in place, but also transferring a portion of the risk to the extent possible to the private sector. In traditional private sector insurance, this is done through "reinsurance" which describes one party purchasing insurance to transfer risk to the reinsurance company. In typical arrangements the primary party retains some of the risk. As insurance companies are credit rated entities, reinsurance is typically performed "synthetically", that is the risk of the primary party is held by the primary party (the underlying insurance or guarantee remains in place between the primary party and its customer), but the risk or portions of the risk is transferred to the reinsurer for a fee. The fee reflects the market price to transfer those liabilities from the primary party to the reinsurer.

Reinsurance can also be supported in the investor market directly where either an unrated company can provide reinsurance by collateralizing their risk purchase (with the primary party having rights to the collateral in the event of a claim on the reinsurance) or via collateralized reinsurance in the form of a bond. Further, reinsurance is executed either in whole or in part – meaning all the risk is transferred or only a select portion of the risk is transferred – offering flexibility in terms of both transfer scope and cost.

Certain government entities offering insurance and/or guarantees already purchase reinsurance. The price at which they purchase that reinsurance would suggest the private sector cost of assuming those risks.

FEMA has recently pioneered a transaction to transfer risks associated with the National Flood Insurance Program, Freddie Mac is piloting such a transaction in mortgage insurance and the Export Import Bank of the United States has just announced a reinsurance program focused on their aircraft portfolio.

Recommendation

An independent review would provide critical price transparency in determining the cost to reinsure the risk. As a mechanism to limit government funding of incentive programs, reinsurance for public sector government export and SME programs should be explored. In consideration of identifying new funding sources and alternative uses of public sector programs for funding new initiatives, we recommend that the Department of Commerce, in conjunction with a third-party consultant, evaluate an existing public sector insurance or guarantee program, such as those of the EXIM Bank or the SBA, to be selected by Commerce to assess the feasibility and cost of transferring risk from that program to third parties to both cap existing government programs as well as expand the private market. We also recommend that analysis of private sector trade credit insurance profitability and equity growth be conducted to ultimately determine whether or not the analyzed cost of transfer is consistent and appropriate with market returns.

The ultimate goal is to decrease the $1.7 Trillion gap in SME financing as documented by the TFAC from Federal Reserve data, and to stimulate U.S. economic growth particularly for exports. This will be accomplished by expanding private sector capital through the use of reinsurance either through reinsurance companies or through the utilization of collateralized reinsurance from capital markets investors.

TRADE FINANCE ADVISORY COUNCIL

Ensuring the Effective Utilization of the U.S. Ex-Im Bank as a Competitive Tool to Promote U.S. Jobs and Exports into Global Markets

Background

The Export-Import Bank of the United States (EXIM) is an independent, self-sustaining agency with an 82-year record of supporting American jobs by financing the export of U.S. goods and services. In the last decade, EXIM has supported and estimated 1.7 million jobs in all 50 states.

Since it's re-authorization in 2015, EXIM has continued to face headwinds to executing its mission to promote U.S. jobs and exports in the face of fierce foreign completion to ensure a level playing field for U.S. companies through the provision of credit and political risk insurance and guarantees to those exporters or the banks financing those exports.

Prior to 2015, EXIM provided these services since its inception, to the benefit of the U.S. exporting economy and U.S. manufacturing jobs and since 2009, EXIM has contributed nearly USD$3.8 billion to American taxpayers.[1]

Through 2016, 2017 and 2018 to date EXIM has been only partially operational, unable to approve transactions in excess of USD10m in value through lack of board members with which to form a quorum to approve these deals. Consequently, levels of exports supported by the bank have fallen dramatically in this time while at the same time involvement of foreign Export Credit Agencies (ECAs) supporting their domestic companies' exports into developing markets has increased.

In FY 2017, the Bank approved a record low of $3.4 billion of financing medium/short-term export credit and working capital guarantees authorized in FY 2017, supported an estimated $7.4 billion of U.S. exports and an estimated 40,000 jobs down from $5 billion in FY 2016 (a level not seen in 40 years). By comparison, in 2014, the Bank's last fully operational year—the Bank authorized more than $20 billion in financing, supported nearly 165,000 American jobs, and generated $675 million for taxpayers.[2]

---

[1] *See* EXIM's 2016 Annual Report at https://www.exim.gov/sites/default/files/reports/annual/EXIM-2016-Annual-Report.pdf, at 2.

[2] *See* EXIM's 2017 Annual Report at https://www.exim.gov/sites/default/files/reports/annual/2017/MasterEXIM2017AnnualReportSpreads_2.6.18.pdf, at 3.

EXIM, once a world respected agency for its expertise and understanding of global markets and risks, is losing talent in ever increasing amounts as it sits rudderless. U.S. exporters are looking evermore overseas for opportunities, lured by invitations from foreign ECAs.

While it will never be possible to measure accurately the number of jobs impacted, it is with reasonably certainty that exports into overseas markets running into the billions of dollars have been lost as a result of EXIM's handicapped position in 2015-18 with knock-on effect running through the U.S. supply chain of these exporters.

The nomination of new board members to the vacancies on the EXIM board as well as the President's and Secretary Ross' support for bank as an important component of the U.S. toolbox to promote trade is applauded by this committee. However, with the board still not filled, EXIM remains only partially functional.

"The bank is part of a domestically focused trade toolbox that this administration will continue to focus on in the coming months." "We will use that toolbox to rebalance our trade policy in order to put American workers first." Wilbur Ross, EXIM Conference 2017.

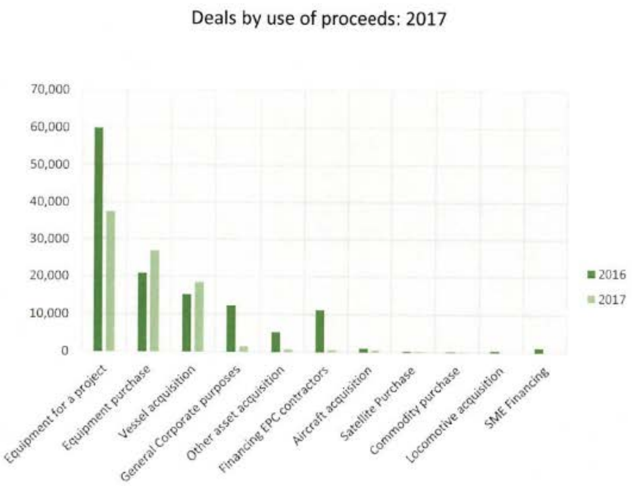
https://www.reuters.com/article/us-usa-trade-exim-idUSKBN1782LE

According to research from Trade and Export Finance Magazine in 2018, the top use of proceeds for ECA backed lending was in Project Finance followed by financing for specific Equipment Finance purposes. Large project finance transactions in Infrastructure (Roads, Ports, Airports, Brides, Hospitals etc.) Mining, Oil and Gas, Transportation and Power sectors have significant supply chains. It is common to structure these contracts with a single EPC contractor to front many smaller subcontractors. Overseas ECAs have very effectively targeted these projects by providing Lines of Credit available to be used by the project sponsor only for purchases from suppliers in the ECA country in question. These suppliers can be equipment suppliers, services contractors, IT, consulting etc. Often, these are small- and medium-sized business (SMEs) project financing transactions can average in the USD500m to USD2bn range and are therefore currently out of EXIM's reach in the absence of a board. Over USD72bn of ECA backed loans in 2017 were provided by ECAs around the world to such projects, none of which was in support of U.S. suppliers.

TXF DATA

Industry overview – Use of proceeds

Top use of proceeds: Project finance $72bn



	2016	2017
Project finance	28,969	72,264
Equipment purchase	22,171	22,425
Vessel acquisition	22,426	14,769
General Corporate purposes	2,857	10,929
Other asset acquisition	3,385	5,942
SME Financing	297	1,114
Aircraft acquisition	6,730	1,020
Locomotive acquisition	0	372
Satellite Purchase	2,134	255
Commodity purchase	0	185

Proposal

1. Given the current emphasis on the promotion of U.S. manufacturing jobs and U.S. Exports by the U.S. Administration, Secretary Ross has a timely opportunity, in his role as an ex-officio board member of EXIM, to provide much needed leadership alongside acting EXIM chairman Jeffrey Gerrish, to shape the future policies of the bank to serve U.S. exporters and workers best.

The Commerce Department with its wide global reach and expertise should take an active role in the coordination of all export and trade related activities and provide guidance on EXIM programs to ensure all U.S. export facilitation and promotion programs are aligned, effective and competitive with those of other countries.

The Secretary of Commerce and USTR should be coordinating together with EXIM and the SBA in ensuring collaboration between Commerce Department offices, State Export Offices and EXIM regional Offices to promote the programs of EXIM to all U.S. companies able to grow through both direct exports and indirect exports as part of the supply chains of America's global manufacturers.

2. As is well known, EXIM requires a board to approve key strategic decisions that will be needed to enact the reforms that the bank has been advised by its many corporate clients would increase its efficiency and competitiveness. TFAC recommends that the Secretary of Commerce works with EXIM to evaluate in further detail with support from the appropriate resources the possibility for him, in the absence of the nominated board members currently held within the approval system, to form a board of three together with Robert E. Lighthizer and Jeffrey Gerrish to: a) review and approve/reject significant export transactions awaiting board approval on which thousands of U.S. jobs rely, and b) review key reforms being suggested to improve the efficiency and competitiveness of EXIM in the face of foreign competition.

3. EXIM fills export financing gaps through its loan, guarantee, and insurance programs when the private sector is unable or unwilling to do so. At the same time, private sector

lenders are EXIM Bank's partners. Partnership with the private market active in the field of Export Finance should be evaluated and encouraged where found to add value whether it be in originating export transactions for support by EXIM, funding EXIM guaranteed transactions, educating U.S. business on risk mitigation programs offered by both the private and public markets to promote trade, re-insuring proportions of risk not associated with US content to name a few.

As a specific example, EXIM is a relatively small agency with fewer than 400 staff members. This results in volume restrictions in terms of the number of small transactions able to be processed. There is scope as well as interest in the bank market to leverage the potential for marketing and processing of small high-volume export transactions to private insurance brokers and regional banks located close to and with good relationships to SMEs across the United States through a form of Guarantee LOC / Delegated Authority to select U.S. banks to manage this program.

Summary

It is the view of the TFAC that no country with a focus on promoting jobs and reducing its trade deficit should underestimate the impact a supportive Export Credit Agency can have to that effect. In fact; the US, without an operational ECA, stands alone in the face of competition seeing jobs and contracts that would have been signed with U.S. companies going overseas.

The TFAC, using its breadth of resources and experience, reaching out to US businesses interested in exporting across the US will endeavor to continue to guide and support the Secretary in his role as a board member of EXIM and suggest areas of improvement to provide leadership in ensuring EXIM’s mission and objectives are met with optimum efficiency and maximum impact to support and level the global playing field for all U.S. exporters not least to SME exporters and their US employees to provide the most effective tools to use in the face of foreign state-supported competition.