Center for American Progress

SPECIAL PRESENTATION

"HOW THE U.S. CAN LEAD THE WORLD IN EXPORTS: RETOOLING OUR EXPORT FINANCE STRATEGY FOR THE 21ST CENTURY"

INTRODUCTION BY:

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FEATURED SPEAKER:

FRED HOCHBERG, PRESIDENT AND CHAIRMAN, EXPORT-IMPORT BANK OF THE UNITED STATES

12:00 PM – 1:00 PM
WEDNESDAY, JUNE 15, 2011

TRANSCRIPT PROVIDED BY
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MR. JOHN PODESTA: Good afternoon everyone, and welcome to the Center for American Progress. I'm John Podesta, the president of the center.

And I want to welcome Fred Hochberg, chairman and president of the Export-Import Bank of the United States. We're honored to have Mr. Hochberg with us today. Through his leadership at the Ex-Im Bank, Fred has played a central role in U.S. competitiveness policy, which is critical to restoring our economy and getting jobs and wages growing again.

The Ex-Im Bank is releasing its "Annual Competitiveness Report" today, which the chairman will talk more about. So we've very glad to have him here, as I noted, and look forward to having a lively discussion after the conclusion of his formal remarks with Neera Tanden, CAP's COO. And I'll invite her after Fred's had a chance to speak.

At CAP we focused on competitiveness because we recognize that the extraordinary challenge of restoring our recession ravaged economy while simultaneously reengineering it to thrive in a new global economy. Other countries are focusing on the same challenge. Nations in both the developed and the developing world propose, debate, and adopt economic strategies more formally than we do here in the United States and more explicitly organize their policy apparatus around the question of how to compete in the new global economy.

Britain, France, Germany, India and Australia, all integrate economic decision making with other aspects of competitiveness, policy to a far greater extent than the United States, just to name a few. China's five-year plans, once unrealistic and exaggerated, have evolved into market-oriented innovation led blueprints for growth backed by extraordinary public investment in industry, technology and R&D. And last year Switzerland, Sweden and Singapore claimed the top three spots in the World Economic Forum's competitiveness index as the U.S. fell to fourth place. In short, the U.S. needs more focus and a better strategy.

In December CAP released a report that argued for reorienting and reorganizing U.S. federal agencies to better aim our resources at competitiveness and long-term strategic planning. The administration right now has undertaken a review of that question. We think it's a good place to start. We also strongly believe that new public policies are needed to strengthen the building blocks of our competitiveness and education infrastructure, science, technology and export promotion to pave the way for the kind of robust private and public investment that drives economic growth here and all around the world.

The paradox of Washington is that the current fiscal and political climate makes the broad aggressive action we need extraordinarily difficult to accomplish. We're in a tough spot right now. That doesn't mean our work has stopped – far from it. But it does require us to focus with renewed energy on programs that work efficiently and effectively as well programs that partner with the private sector to drive the greatest bang for each taxpayers' buck.

The Export-Import Bank meets all those conditions while offering a way for the U.S. to do what countries around the world are doing very well, developing public-private partnerships that support domestic industry by helping sell their products abroad.

I'm going to leave it to Chairman Hochberg to get into the details, but I will say that under the chairman's leadership the bank is doing far more for American business than ever before. They're stepping up lending, giving U.S. exporters the support they need to weather the weak economy and grow their markets abroad. And because the bank is self-supported by fees charged to borrowers, they're doing it at no net public cost.

Over the past two years the bank has lent a record amount to U.S. businesses to expand their markets, supporting $34.4 billion worth of exports and 227,000 American jobs at more than 3,300 companies. The substantial boost to exporters has made U.S. exports a bright spot in the U.S. economy amidst bad economic data, quite frankly, and in no small part thanks to the bank and Chairman Hochberg's leadership. U.S. exports hit a record high of $175.6 billion in April. As we work to meet President Obama's goal of doubling exports by 2015 as he's laid out, the Ex-Im Bank will no doubt, I think, continue to play a central role in U.S. export and competitiveness policies.

We're very fortunate that Chairman Hochberg is at the bank's helm. Before his appointment to the Ex-Im Bank, Chairman Hochberg was dean of Milano, the New York School of Management and Urban Policy from 2004 to 2008. He has a substantial career in business. I had the privilege of course and the honor of serving with Fred in the Clinton administration when he served as deputy and later acting administrator of the Small Business Administration. During his tenure, he contributed to quadrupling lending to minority and women-owned small businesses. He's doing extraordinarily good work at the Ex-Im Bank today, and we thank you for that, Fred. So we're glad to have you here and we're looking forward to hearing your remarks and then the discussion with Neera Tanden.

Thank you. The floor is yours. Fred Hochberg. (Applause.)

MR. FRED HOCHBERG: Well, John, thank you and thank the CAP for the work you do. And I worked most recently with John at the transition, and I like to think as a part of it, to put together a top notch team that's moving the country forward and moving in a number of these areas. I've now been at Ex-Im Bank for two years and I can think of no better place to have this conversation about priorities and issues than CAP.

We have, as you mentioned, John, a lot of very tough, difficult issues to grapple with. And these go to the heart of our value system, our sense of competitiveness and something frankly that's indelibly American.

So before we start – it's only going to be a few slides. Don't worry. It's not a PowerPoint. I want to just put in perspective what the global landscape looks like and the kind of the difficulties we face as American workers and companies in exporting and trading in another marketplace. We're going to look at the export of goods. We look at the export of goods. We're going to look at some of our major trading partners. And then I'd like to take a brief look at export financing. And then I'll get into the body of my comments.

So for many years, starting in 1985, we look at Japan and Germany were export markets. And although their economies were smaller than ours, they were very strong and dominant exporters. The United States, through 2000, was in a similar range but, however, until 2002 we were the largest single exporter in the entire world. And, however, in this century that began to change. We see the rise of China as a much bigger global powerhouse, also manufacturing and exporting, not just toys and low-cost or low-value added but more high-tech products. And as a result, in 2010 China became the second largest economy in the world and the world's largest exporter of manufactured goods in the entire world. That was a dramatic change that we've really seen in this century.

If we look at some of our trading partners – I'm going to pick just three markets – there are dozens you can look at. If you look at India, if you look at the trade in 2000, our exports to India versus China, we were at double the level of China in 2000 – and let's try that slide – and in 2010, now China outdistances us by 20 to one. If we look at South Africa, in 2000 our exports to South Africa were three times the amount that China was exporting to South Africa. And today, China does double what we do. If we look at Germany, a key market and a longstanding trading partner with the United States we outnumbered Chinese exports three to one and by 2010 China had a $20 billion lead over the U.S. economy in terms of exports going to that key market.

If we look at export credit agency and financing, an export credit agency is what we do at the Ex-Im, Bank – it's providing loans, guarantees, working capital loans to companies that are looking to export. The green line is the G-7. Just to repeat for everybody that's United States, Canada, the U.K., Germany, France, Italy, and Japan. So we were – those seven countries were the dominant suppliers of export credit financing for many, many years. However, the Brazil, India and China began to step up their efforts in exporting and in fact, in 2006, for the first time Brazil, India and China provided as much capital for their exporters as all of the G-7 countries combined and that trend continued. And today Brazil, India and China, and largely China, provide more financial support to their exporters than all the G-7 countries combined. No more slides.

What does this mean? What does it mean in terms of our competitiveness? What does it mean in terms of leading the world in exports and our standing in the entire world? How is this going to affect our long-term economic growth, the quality of life we share as Americans? What does it mean for American competitiveness and, frankly, our ability to remain the strongest and more innovative economy in the entire world?

Now, the growth of these emerging economies will continue to raise the standard of living for millions of people around the world. And this is a very good thing and something we as Americans welcome and support. Be it infrastructure investment, reliable power generation, transportation development – these are all sectors that we want to be full partners with emerging economies as they develop and build.

However, with the rise of these emerging economies and their growing influence in export markets also means the rules of the game have changed. We need to reorient and adjust ourselves to a very different global landscape, one with new players and new types of engagement.

We have documented – I have a copy of the report – we have documented many of these new types of engagement in our "Annual Competitive Report" that we're releasing today that takes an in-depth look at the use of export finance and also includes for the first time in-depth looking at China, India and Brazil.

The report will allow us to better prepare and address those challenges we face. And one of the challenges we do face is the proliferation of state directed capital into global marketplace.

Now, since our nation's founding, our economic model has produced boundless opportunities, created unprecedented wealth, and raised the standard of living of Americans from coast to coast. Today, that economic model, the jobs it produces, the middle class it has built is being challenged as never before, not only from traditional competitive forces but from the rise of foreign state-owned enterprises and state-owned banks that are playing a growing and more influential role in the global marketplace.

Last week I paid a visit to a company in Gaithersburg, Maryland. It's a company called Patton Electronics. And they make this router. And this router is basically the infrastructure that's used for modern telecommunications equipment. It's a family-run business, 200 employees, about $30 million in sales, 70 of them are exporting and they export to about 120 countries. A central part of Patton's business strategy, however, is that they want to design and manufacture their goods in America. The engineers and the designers sit in front of the building and manufacturers are down in the rear. It allows them to get products closer to market. It allows them to have a better linkage between the design process and the manufacturing process.

Now, another company we work with, at the other end of the spectrum is CISCO – $42 billion in sales. International sales are about half of their business. Both of these companies make great products, both understand the importance of American competitiveness. And imagine that both companies tell me they worry about the same thing: the rise of state-directed capital combined with below market financing is threatening the export sales of these companies and frankly their very existence in those markets. It's hurting their bottom line. It's hampering their growth. And it's hindering our ability as a nation to compete.

Let me explain how. Both Patton and CISCO compete with a company called Huawei, a Chinese company located in Shenzhen. They make a router that – well, maybe it will not surprise you – looks remarkably similar to this router. Huawei didn't even export at all until 1997 and in 15 they have now positioned themselves ahead of Nokia, ahead of Siemens. In India alone in one year they took sales from $50 million worth of exports to $2.5 billion in one year. I was in business for 20 years. That kind of growth takes more than just good marketing and good sales. Both CISCO and Patton will tell you they have no problem going head to head with Huawei and other competitors based on quality, based on service and expertise. And, frankly, they can even compete when it comes to price and value.

But what you can't see when you look at a Huawei router – it looks very much like this one – it's hard to get one. And one of the central reasons their growth is so strong is they're backed by a $30 billion credit line from the Chinese Development Bank. This allows Huawei to have a far more reduced cost of capital and importantly offer financing to their buyers at rates and terms that are better than all their competitors around the globe. This financing model not only affects the bottom line of companies trying to compete but also affects the bottom line of our economy, particularly as exports play an increasingly important role in our economy recovery and job creation.

The reality is opaque state-directed capital allows foreign governments to target their financing at specific sectors and companies while aggressive grabbing market share in an attempt to dominate a market. Companies like Patton and CISCO do not have $30 billion to offset this market distortion. And, frankly, neither do we.

Ex-Im provides Patton with $4 million worth of government-backed working capital line to purchase equipment and finance receivables. And while this is really important to Patton's growth, it's not nearly enough to meet the challenges of the global marketplace. And it's not just the U.S. None of the G-7 countries provide levels of financing anywhere near those of the Chinese Development Bank. And that's something frankly that keeps me up at night.

For those not familiar, Ex-Im Bank was founded in 1934 by FDR. Our mission then and now is to create jobs to exports. We do it in three basic ways: we provide loan guarantees to buyers of American exports; we provide receivable insurance for U.S. exporters; and we provide working capital loans, guaranteed working capital loans like we do with Patton. Our early work of the bank was focused on filling market gaps the private sector was unable or unwilling to fill, exporting to places like Russia, Latin America or Africa, areas where without government involvement was needed to make those export sales. And we continue to fill those gaps.

Over time, our mission has evolved to addressing U.S. competitiveness in the global marketplace. In these situations we use export financing as a tool to level the playing field and to take financing off the table when it comes to closing a sale. We operate along guidelines that have been established by the Organization for Economic

Cooperation and Development, or known as the OECD, which is an organization compromised of about 20 nations around the world, 30 of some of the most industrialized nations in the world.

This arrangement was born out of a desire for fair and transparent markets so government financing would not undermine the export sales of another country. Products and services could compete on their own merits without the distortion of government intervention, particularly in the area of export credits.

So for years our report, that we're issuing today, only looked at the competitiveness within this framework. It assessed the export financing tools that the United States had available for American businesses and compared them to the G-7 – to Japan, Germany, France, Canada, the U.K., and Italy. And for many decades that was the competitive landscape. Clearly times have changed and it's safe to say we're reached a tipping point. The role of export financing by developed countries is clearly being eclipsed by developing countries. And it's not just the amount that's of concern – it's the manner in which it's administered.

It's not transparent and it's not rules based. Let's look at the renewables sector. In 2000, the United States was the market leader in wind power. A decade later, China dominates this sector controlling half the $45 billion global wind market. Now, China has finally agreed to end hundreds of millions of dollars worth of subsidies for the wind industry following a WTO suit filed by the U.S. but by this time they've already built up a large competitive advantage. If we look at renewables, aviation, biotechnology, telecommunications, capital goods – within five years, China will have its own aircraft manufacturing industry.

And during the late '60s, the U.S. manufactured 90 percent of commercial aircrafts in the world. We now share this market with Airbus, which is about 50/50 with the United States, and then we have Embraer and Bombardier providing regional jets. But soon we're going to have China, we're going to have Japan, and we're going to have Russia also crowding into that market.

Think about the implications of that. The industries I just mentioned are not only critical to our economic security but our national security. And emerging economies in many ways are following a similar roadmap for using state directed capitalism to build up their position in these industries. I have a lot of props today.

If you look at Monday's Wall Street Journal, there is an article: "The Easy Credit That Fueled Brazil's Boom Now Imperils It." Here's another example. It's not just China. It's Brazil that's using their own state-owned bank to fuel their global economic growth.

So what can we do about this? I have three thoughts in particular. The first area I want to focus on is our toolkit for addressing market distortions – how we use government policies and programs to effectively and aggressively rebut this change?

Second, we need to reorient our country, reorient the public sector, the private sector around exporting. The president's National Export Initiative jumpstarted this process. And third – and that's why it's important we're here at CAP – is tackling big, complex, domestic issues: education, health care, infrastructure, public debt. All of these play a critical role in our competitiveness.

Let me tell you a story about how we're using some of our toolkit to address these market distortions. The two American companies GE and EMD Locomotives recently bid on a $500 million rail project to supply 150 locomotives to Pakistan. The locomotives are critical to building the infrastructure so they can move goods and commodities to market and get there fast and efficiently.

Pakistani rail officials were actually willing to pay a premium for the high quality and dependability of American-made locomotives. A few years earlier they purchased locomotives from a foreign competitor. Let's just say they were not very happy with them. In fact, many were abandoned shortly after they were purchased. I also was told hills were a problem. It's a very mountainous terrain in Pakistan. They needed locomotives to go uphill. So when it came to placing a new order, they were extremely interested in American locomotives.

There was, however, one sticking point: China provided its locomotive manufacturer an advantage American companies, despite the quality, despite the reliability, their products could not compete with. China offered financing at far longer terms and at drastically reduced fees. This frankly put the entire sale and over 1,000 jobs, 1,000 American jobs at risk.

So to remedy this we worked with the Obama administration and put together a competitive financing package. And for the first time we went to the OECD to share with them our decision to offer financing outside of internationally agreed upon terms and conditions. That's how we are leveling the playing field for American businesses and for companies around the globe.

Probably the most important outcome from the Pakistan rail transaction is that it has sparked an urgently needed dialogue within the OECD and is offering a roadmap for other countries to consider this approach. Our goal long term is not to continue to match or offset forever. Our goal is to ensure a transparent and leveled playing field for American exporters. That's been our goal and our work for 75 years.

But when we see a clear example of state-directed capital that is impeding a sale and destroying a market, we will go the extra steps to rebut that. And the more we do this and the more other OECD countries do this, the more momentum we can build toward internationally agreed upon terms and conditions.

We want emerging economies to be part of creating these guidelines. And we want them to be transparent. As a nation, we believe in a market-based economy. Our challenge is to make that market economy work for the new global landscape. And that means strengthening our toolbox. It means using the levers we have and developing some new ones. We need to use institutions like the WTO and the OECD to enforce rules against state created advantages. We need to pass the Free Trade Agreements that have been negotiated and are pending before Congress. We need to make sure we have the tools and the flexibility we need to make international markets more equitably, which is going to be critical to maintaining American competitiveness in the 21st century.

Second, we need to reorient both the public and private sectors around the importance of manufacturing and exporting. As I mentioned, President Obama's National Export Initiative has jumpstarted this effort. At its heart, the NEI is about rebalancing our economy. It's moving from a consumption-based economy to one based on producing, exporting, and investment. Whether it's agriculture equipment, IT services, medical supplies, automotive parts, the United States makes what the world wants to buy. And to have long-term success, we have to be selling to the 95 percent of the world that lives outside of our borders.

At Ex-Im we are focused on nine countries where we see the most opportunity. Starting in this hemisphere, we look in particular at Mexico, Brazil, and Colombia. As we move around the world, we're looking at opportunities in Turkey, Nigeria, and South Africa. Continuing further, India, Indonesia, and Vietnam. These nine markets offer great opportunities for American companies. And we have a lot of products that these countries need to buy, be it construction equipment, power generation, renewable energy, agro-business, medical equipment, avionics, to just name a few of those critical industries.

In the immediate term, it's large and multinational corporations that take advantage of this export boom. But over time and for long-term sustained growth, we need to make sure that new companies get in the game of exporting and in many cases they need to be smaller and medium-size businesses. Getting more of these small and medium-size companies to export is one of my top priorities at Ex-Im Bank, whether it's Patton Electronics or any of our other 2,400 small businesses that we're financing this year. The president's goal is making sure that small businesses have the tools and that they make exporting a central part of their business strategy. Exports have played a critical role in our economic recovery and they must play a central role in our long-term economic stability and prosperity.

John mentioned exports are up almost 17 percent in 2010, putting us on track to meet the president's goal. And as he mentioned, April was the largest month ever recorded in the amount of export sales in the United States and the record before that was in March and the record before that was in January. So there is clearly momentum and we need to build on that momentum because the opportunities are abundant.

The third point is that we must address critical domestic issues that are holding back our competitiveness and our long-term export growth. These are anchors that weighing down our economy. But I think, as John mentioned, and we certainly know at CAP, these are big, they are complicated, they're emotionally charged. They have to do with public sector debt, health care cost, education, infrastructure, energy policy. I for one certainly don't have all the answers, but I do know this.

When we had the CEOs of f Honeywell, Boeing, Caterpillar and Siemens at our annual conference, they spoke at length about closing the education gap and graduating more engineers. And all the issues I just mentioned are critical to their global competitiveness. When I meet with renewable start-ups and small businesses to discuss their export strategies, the conversation quickly turns to issues about infrastructure, investment, health care, and energy costs.

And that's the reason why this is an important conversation to have here at CAP because competition it's not just about finance. It's not just about coming up with the best product. It's making sure we have the infrastructure, we have the kind of environment here to support American companies and American workers. And CAP is the place to have that conversation because we need to have that as a national conversation and make some very, very hard choices.

I do know this though. On an individual basis, Americans are some of the most competitive people on this planet. It is in our DNA. We see it in schools. We see it in business. We see it in sports. This same competitive spirit, this enduring drive has led to amazing advances and efficiency in industry after industry. If we look at the automotive revolution, aviation revolution, information revolution, all have been the province of American innovation, manufacturing, and competitiveness. I am bullish that the same story can be told of the 21st century. The 21st century must be the American century.

So let me close with a few quick points. We face very serious challenges at home and abroad. The changing global landscape only makes these challenges more acute and frankly leaves us less margin for error. It requires leveling the playing field, rebalancing our economy, and doing the hard work to tackle very thorny and difficult domestic issues. It requires us to be much more active globally and addressing the rise of state directed capitalism and much more thoughtful domestically about how we address obstacles impeding our competitiveness. It means not only creating and designing products. It means making them here and selling them abroad.

The key is to make the U.S. the best and most strategic place to start a business, expand a business or operate a foreign subsidiary that sells to markets around the world. And then letting the most innovative, productive and competitive individuals and companies do what they do best.

Thank you. Thanks for inviting me here today. I'm open for questions. (Applause.)

MS. NEEDA TANDEN: Thank you. And I'll ask you a few questions and then we'll take some questions from the audience. You've been very generous with your time.

I guess the first question I'd have is I think the Pakistan example you used, the Pakistan trains, locomotives – is the lesson of that story if you can't beat them, join them?

MR. HOCHBERG: I think the lesson of that story is that we are not going to just sit by idly and play by a certain set of rules that other countries don't play by. So I think the lesson from Pakistan is to want, not lose sales because of financing, that one of the things we do at the Ex-Im Bank is we're there to make sure that we do not lose any American sales due to financing whenever we can, but the broader thing is to make – send a clear message to China we're not going to just sit by idly and let that happen. And lastly, to send a message to American companies – if you're not bidding or you're concerned you can't have the financing, we will be behind you.

MS. TANDEN: And you also talked about the sort of structure of investments. And I was wondering is this the structure of investments that we use for exports – is that something we could use for a domestic market? You know, when we're thinking about the problems we're having in manufacturing, when we're thinking about the challenges so many American industries are facing here at home, is there something that we can – can we use these tools as a way to support domestic manufacturing, domestic initiatives?

MR. HOCHBERG: In terms of – I want to make sure I understand. Like in terms of providing financing for companies to be –

MS. TANDEN: Companies here.

MR. HOCHBERG: I think that's something we're actually looking at very closely is whether there's a way that we could provide pre-export support, whether we could provide a way that companies that are looking to build a production line – this is frequently actually in the renewable space where most renewable companies, be they solar and wind, between 50 and 90 percent of their sales are export sales. You know, it's sort of dedicated. We just wouldn't want to do it in a way that would – then those products will wind up being sold in America competing with U.S. companies.

MS. TANDEN: Right. Right. That's definitely a challenge. And then one additional question is state-directed capital is an outgrowth of strategies our competitors, China, have about sort of having a very strong partnership between the public and private sector. They have strategic initiatives around supporting their industries, and state-directed capital is just one outgrowth of that.

And what I was wondering is whether there's lesson there? I mean, the United States has traditionally had a much most sort of laissez-faire attitude towards these issues. It sounds like the Export-Import Bank is changing that strategy by being more aggressive in some sense. But is there a broader lesson there about U.S. policy towards economic growth and whether we should, as a country and here in Washington, should be thinking more strategically about our strengths going forward in the 21st century and thinking about really looking at industries and thinking of strategies to support those industries, just like other countries are doing?

MR. HOCHBERG: I think what we need to do – I mean, we believe in a market economy. And the challenge when you start picking winners or losers, have industrial policies, sometimes you can make big mistakes. I think a market economy has served this country really well. I think what we're trying to do is to get more of a market orientation for the rest of the world. We have that. And we had that until about 2000. There was a much more of a market orientation when the U.S. would provide – when Ex-Im Bank would provide financing to Boeing which would be to rebut the financing that Airbus was getting from its agencies. And they're on the same terms and conditions so that frankly the companies could choose between Airbus and Boeing not based on financing. We think it's just a better idea to keep financing as far out of it and let the products compete on their own.

So I think that effort is working. I think we need to work on the free trade agreements. I just saw in today's paper Colombia's going forward with the free trade agreement with Beijing. India's talking about a free trade agreement with the EU. So there are a lot of levers we have. We just have to start saying yes to things we've been saying no to and maybe start saying no to things we've been saying yes to.

MS. TANDEN: Okay. Great. I'd like to open it up for questions. And if you could just identify yourself.

Q: Yes. Thank you. Jim Berger from Washington Trade Daily. Just two brief questions. One, you've got any final result on the Pakistan rail deal yet? Well, go ahead.

MR. HOCHBERG: Well, if I had the results I would have announced it. No, I don't have the results yet. We would be delighted with it. It's been a very difficult transaction. We went back to the courts. They've reopened the bidding. I was just talking to GE this past week. So that's still an open issue.

But the importance of the Pakistan thing is not just that transaction, though I would very much like those sales to go to either EMD or GE and have those 1,000 jobs in America. But it's trying to say both to the foreign governments that are not – that are operating outside of this arrangement and to U.S. companies, we're going to stand with you.

Q: Sort of a follow-up on that. Both the WTO and OECD are very big monoliths. Your bank is bringing in, quote, "profit" significantly because of increased exports. But there's no way in the world you're going to meet China dollar for dollar on this. So how can you get OECD and the World Bank really to pay attention and to act?

MR. HOCHBERG: Well, you're absolutely right. We're not going to be able to go toe to toe with them on every single transaction. But the important thing is we are at every level of this administration, including the Ex-Im Bank, we are making it very clear to China, Brazil or India we're not going to sit by idly. And the G-20 is a very good forum for that. China was just here for a strategic and economic dialogue; that was part of the conversation. I met with Brazil, India, China and Russia, those export credit agencies in the last month to talk about finding ways – we just need to find some common ground and mostly what we need is transparency. There are really two issues here. One is transparency and one is an agreed upon rules of engagement.

MS. TANDEN: Are there other questions? Back over there. Just wait for the mike. It's coming.

Q: Hi. I'm Keith Curtis with the American Foreign Service Association. You've mentioned some of the structural issues, China, certainly Japan and countries like that have a centralized trade agency, the vaunted MITI, which for three decades led to export growth. We've seen that the president has taken a hold of this initiative.

My question to you – and recommendations have gone forward – my question to you is what would you recommend of the president in terms of reorganization of the trade agencies in the United States? Would Ex-Im be part of a MITI type organization?

MR. HOCHBERG: Well, I think the whole initiative of the National Export Initiative and calling for us to double exports in five years was the first time a U.S. president has made that rallying cry and made that framing of what we need to do because with that comes – becoming more competitive with that becomes getting more trade agreements, brining more compliance around the world. Internally CAP did a study that I think was released in December if I'm correct.

MS. TANDEN: Yes.

MR. HOCHBERG: And the president has asked – has a report on his desk from OMB that is looking at a number of those options. I'm going to let the President of the White House staff decide which option is the best one and then take a look at it. I have not seen the report as yet.

MS. TANDEN: And I think we might have time for just one more question there in the back.

Q: Andrew Tien (ph), CNN International. In addition to what the U.S. is undertaking on its own, are there things that trading partners also committed to transparent, rules based measures can do to partners with Ex-Im to support their companies and SMEs mutually?

MR. HOCHBERG: I think if I understand the question, what we're doing is – we have a number of co-financing agreements with Australia, with Canada. We do a lot with Canada. And to give you a specific example, we have a great company in Olney, Texas, a town of I think 3,500 people that makes crop dusters and firefighting planes. The planes are made in the U.S. The engines are from Canada. It's a small business. And we co-finance with the Canadian export credit agency so that together they finance the engines, we finance the planes and we make sure that they can sell those products overseas. So we have a very close relation with Canada obviously but we do with other countries as well but probably more with Canada on the small business side, though we have agreements with Italy, the Scandinavian countries, Germany, Britain, many other countries.

MS. TANDEN: I think also part of the question might be our European allies, are they really potential allies in this issue of state-financed capital? Or are other countries that are much more similar who aren't using state-financed capital –can they be allies in the OECD?

MR. HOCHBERG: They are clearly allies. I think as in many things they are waiting for us to make the first move. We have the boldness to make the first move. I think a number of them, if you look at their relationship with China, they are perhaps a little more anxious about challenging China. That's not something we're anxious about. We're committed to making sure that America stays competitive and that we generate more jobs for U.S. workers. It's very clear if there are going to be jobs in Eerie, Pennsylvania, or outside of Chicago, or the jobs are going to be outside of Shanghai. I have a very clear preference where I want the jobs to be.

MS. TANDEN: Great. And with that, thank you very much.

MR. HOCHBERG: Thank you. (Applause.)

(END)