

STATEMENT
of the
Honorable Nydia M. Velázquez
House Financial Committee
Subcommittee on Domestic and International Monetary Policy, Trade, and Technology
Hearing on the Reauthorization of the Export-Import Bank of the United States
April 5, 2006

Thank you, Chairwoman Pryce.

Small exporters are key components of a successful export strategy as they have achieved major success trading internationally. They are the nation's leading exporters, dominating many export sectors and growing two times faster than large exports. However, these firms face obstacles trading internationally. They therefore require assistance from the Export-Import Bank to obtain adequate and timely financing as well as business development and outreach resources.

In the Export-Import Bank's Reauthorization Act of 2002, Congress required small and medium sized exporters to receive at least 20% of the bank's authorizations. However, the Bank has not fulfilled its mandate since the statutory set aside was enacted. The unfulfilled mandate demonstrates inadequate institutional focus on and commitment to small exporters.

The bank has an auspicious opportunity to fulfill its mandate to promote exports, job growth, and industry competitiveness **IF** it commits to assisting all U.S. businesses realize their potential to trade internationally.

To promote a sustainable export sector, the Export-Import Bank must take steps to support the growth of the country's lead exporters, small businesses. To support small exporters, the bank's financing procedures and resources must be geared in part to the particular needs of these businesses.

The current reauthorization proceedings provides a new opportunity to ensure that the Bank's small business financing is commensurate with overall need. To implement changes, the reauthorization legislation proposes to establish reforms to the bank's institutional structure and decision making procedures. The bank's structure will better serve small businesses through the creation of a Small Business Division. The division will represent small exporters and advocate for their interests within the bank and to private lending institutions.

However, if it is to be relied upon as the representative of small business needs, the division must have real resources, real responsibilities, and real decision-making authority. A weak Small Business Division will not be able to enforce its mandate.

A newly established small business division staff should possess both knowledge of these exporter's particular needs and be authorized to review and approve small business financing applications. Knowledge and advocacy are meaningless if they do not impact the bottom line – which is to provide these firms with financing assistance.

I am also concerned with the bank's level of assistance to minority and women-owned export businesses. These firms are growing at double the rate of all firms in the country and possess immense potential to become top exporters. Yet the bank currently provides them with just over 2% of their total financing. To support their growth, these businesses require additional resources for business development and a higher mandatory set aside from the bank's total authorizations.

The country's competitiveness is highly dependent upon taking advantage of opportunities to increase all of our exporters' capacities and resources. With many signs of our declining global competitiveness, export promotion is needed more than ever. The most striking of these signs is the country's unprecedented and continually escalating trade deficit, which at last count has reached almost \$70 billion. Even our most competitive industries are experiencing trade deficits, including those producing advanced technology products and information technology services.

The time has come to implement a successful export promotion strategy that sustains our country's businesses and overall economic competitiveness.

Thank you.