



Testimony of the Bankers' Association for Finance and Trade
on Oversight of the United States Export-Import Bank
before the Subcommittee on Domestic and International Monetary
Policy, Trade and Technology and
the Subcommittee on Oversight and Investigations
of the United States House of Representatives
Committee on Financial Services

November 10, 2005

Harry G. Hayman III
Senior Vice President and Group Head
PNC Bank Treasury Management and Global Services
Philadelphia, PA
and
Vice President and Director
Bankers' Association for Finance and Trade
Washington, D.C.

Introduction

Chairwomen Pryce and Kelly, Vice Chairwoman Biggert and Vice Chairman Paul, Ranking Members Maloney and Gutierrez, and Subcommittee members, I thank you for holding this timely and important hearing on oversight of the U.S. Export-Import Bank. My name is Harry G. Hayman, and I am a Senior Vice President and the Group Head of the Global Services Division of PNC Bank. I am testifying today on behalf of the Bankers' Association for Finance and Trade—an organization founded in 1921 by bankers "to aid the development and maintenance of foreign trade."

I currently serve as Vice President of BAFT, which comprises 150 financial institutions and service firms dedicated to fostering and promoting international trade, finance, and investment between the U.S. and its trading partners. For 84 years, BAFT has played a unique role in bringing together financial institutions worldwide which have an interest in international business, commerce, and finance. In July 2002, BAFT affiliated with the American Bankers Association, the oldest trade association in the United States.

I have served as a member of the Export-Import Bank's Advisory Board for the past two years and have significant experience working with the Bank through PNC's active participation in global trade finance for our customers and the promotion of U.S. exports. Thank you for providing me with the opportunity to speak with you today on a subject of great importance to American financial institutions and our exporting clients.

The Export-Import Bank Plays an Important Role in the U.S. Economy

Expansion of exports is a critical element for the U.S. economy. The U.S. Export-Import Bank plays an important role in supporting exports of American goods to foreign markets. In the last five years, the Bank has completed almost 11,000 financial transactions, totaling \$65.5 billion. By offering American companies a secure source of financing for their export sales, Ex-Im enables American businesses of all sizes to expand their markets by serving overseas customers that require financing in order to purchase American goods. The exports supported by Ex-Im financing stabilize local economies across our country by creating and maintaining domestic jobs that enable communities to flourish.

As we are all aware, the U.S. current account deficit now exceeds 6% of GDP. This is clearly not sustainable from either an economic or geopolitical standpoint, and requires, among other actions, a significant growth in U.S. exports.

The Role of the U.S. Export-Import Bank in Export Trade Facilitation

In my two years as a member of the Ex-Im Advisory Board, I have seen a number of positive and successful new initiatives on the part of the Bank. Examples include the continued expansion of the Bank's City/State Partners program, and the initiation of the Environmental Exports program.

The staff of the Export-Import Bank should be congratulated for their work and progress in promoting effective, efficient programs for end-users of the Bank's services. I am particularly pleased with Acting Chairman and President Jim Lambright's recognition that the next major effort needed is to improve the Export-Import Bank's transaction application approval process,

which can be cumbersome for parties involved and detrimental to U.S. exports. The focus should be on both consistent and transparent credit standards and improvements in the use of technology. This would include, for example:

- 1.) enhanced training of Ex-Im staff
- 2.) further training of smaller banks
- 3.) improved access to credit information by EX-IM
- 4.) electronic applications
- 5.) effective database for checking the status of transactions

We look forward to working with him and the Bank to streamline and improve this process.

We do not believe any changes are required to Ex-Im Bank's charter at this time.

Steps Required to Improve U.S Government Support of Exports

An additional area that continues to require improvement is the way in which governmental entities cooperate on facilitating international business. The Export-Import Bank needs to have greater interagency cooperation with the Departments of Commerce and State, as well as the various governmental trade-related agencies, such as the Overseas Private Investment Corporation (OPIC), Trade and Development Agency (TDA), and Small Business Administration (SBA). I am aware that Chairman Lambright is moving forward in this area. Overall, we need to develop a cohesive and coordinated U.S. government strategy for increasing American exports and assisting domestic firms and manufacturers to provide their goods and services to the world market.

Ex-Im can more effectively leverage its resources with banks and private associations as well.

The City/State Partners program is an example of an effective effort to bring Ex-Im programs to a broader audience, but continued business community outreach is essential to convincing domestic producers of the strategic viability of international commercial opportunities.

Governmental trade sponsors need to work together to develop their program offerings to ensure that local businesses receive a consistent message and procedure for action.

Progress of Ex-Im's Working Capital Guarantee Program

With regard to the progress of the Export-Import Bank's Working Capital Guarantee Fast Track program, we are pleased that a new agreement has been completed after two years of work. The program is extremely important to SME exporters. The new agreement, however, will make it more difficult for smaller banks to support their exporter-customers. We are concerned about the impact of any impediments to export facilitation that may arise as an unintended consequence of the requirements imposed by the new legal agreement.

Conclusion

The Export-Import Bank continues to fulfill its mandate as the official export credit agency of the United States by assisting in financing the export of U.S. goods and services to international markets. Over the past 70 years, the Bank has supported more than \$400 billion of U.S. exports, primarily to developing markets worldwide. The Bank estimates that 85 percent of its approved transactions provide direct benefits to American small businesses. We are very pleased with the leadership direction the Bank has taken with regard to improving the way in which export applications are approved and processed, and believe that further progress in improving these procedures should be a goal of the Bank. We look forward to working constructively with the

Bank in these efforts to promote efficient and effective U.S. trade and ensure American competitiveness in the global marketplace.