Testimony of Ms. Reta Jo Lewis, President and Chair
Export-Import Bank of the United States
House Financial Services Subcommittee on National Security, Illicit Finance, and International Financial Institutions
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Chairman Luetkemeyer, Ranking Member Beatty, members of the Subcommittee, thank you for inviting me to testify on the Export-Import Bank of the United States' (EXIM) role in economic competition with the People's Republic of China (PRC).

Thank you also for holding this hearing. I know this committee is well-versed in the PRC's unfair, non-market economic practices. We hear from our partners and clients on a day-to-day basis about the economic challenges posed by the PRC's actions. Responding to these challenges will require a whole-of government approach, in which EXIM plays a vital role to help U.S. exporters compete on a level playing field against companies that benefit from distortionary PRC state subsidies and other forms of support.

I am well aware that this committee's concern about competition from the PRC was instrumental in establishing the China and Transformational Exports Program (CTEP) mandate as part of EXIM's historic 2019 reauthorization. Through CTEP, EXIM supports U.S. manufacturers and exporters facing PRC competition and advances America's comparative leadership across ten transformational export areas. In a moment, I will speak about how EXIM has embraced our CTEP mandate.

As you know, EXIM is the official export credit agency of the United States. Its congressionally mandated mission is to support U.S. jobs by financing or facilitating exports. The agency does this through our direct loan, loan guarantee, and insurance programs in cases where the private sector is unable or unwilling to provide financing without government support.

EXIM is guided by market principles, so while our financing does not compete with private capital, all EXIM transactions are required by law to demonstrate a reasonable assurance of repayment, in other words to be bankable deals.

In short, while EXIM plays an important role in promoting and sustaining U.S. commercial interests around the world, we are not a development agency. EXIM is a bank focused on supporting U.S. exporters and American jobs.

EXIM continues to reemerge after several very difficult years. A lapse in EXIM's charter, a lack of quorum on the Board of Directors, and the COVID-19 pandemic had a devastating impact on morale, staffing, and operations. During the four-year period when EXIM was precluded from authorizing transactions greater than $10 million, competitors like the PRC—and other Asian, Canadian, and European countries—stepped in to fill the void, leaving U.S. exporters at a significant disadvantage.

Building on my predecessor's success in reopening the agency—an effort I know many of you supported—I have worked tirelessly to restore, rebuild, and revitalize EXIM's reputation as a reliable partner and set it up for even greater success in its next chapter.

In FY 2023, because of the dedication of our talented workforce, EXIM supported nearly $8.8 billion in authorizations—a 67 percent increase over FY 2022—and supported an estimated 40,000 jobs across the country. These authorizations reflect not only our commitment to helping American businesses succeed, but also the strong, and growing need for EXIM products and services.

Of the nearly $8.8 billion in total authorizations last year, $2.4 billion—or more than a quarter—supported our CTEP mandate. The value of CTEP transactions is significant for several reasons and represents the focus we placed on implementing this mandate. Since my arrival in February 2022, CTEP authorizations jumped from $253 million in FY 2022 to $2.4 billion in FY 2023. And at this point in FY 2024, the dollar amount in authorized CTEP transactions is greater than at this point last year. In total, EXIM has approved $3.6 billion in CTEP transactions since the program's inception.

You may ask what does competition with the PRC look like in practice and how has EXIM used the CTEP mandate to counter the PRC's non-market policies and practices?

Here is one example: in March 2020, the EXIM Board unanimously authorized a $91.5 million transaction to support an Illinois-based U.S. small business exporter that won a contract to provide electricity to 400 rural villages in Senegal.

A year later, during the COVID-19 pandemic, we learned that a PRC-based consortium sought to displace the U.S. exporter by offering a more favorable financial package. In response, EXIM's Board of Directors unanimously approved an amendment to the transaction, extending an 18-year repayment term to cover the entire EXIM financing package and an option to convert the previously approved EXIM loan guarantee to a direct loan.

Another example, last year EXIM approved a $907 million direct loan to the Angolan government to support the construction of two photovoltaic solar energy power plants. This is the largest clean energy project in EXIM's history and will support exports of U.S. solar panel mounting systems, connectors, switches, sensors, and other equipment. For this transaction, EXIM leveraged its flexibility for transformational export area transactions, which allowed for a lower down payment requirement.

Lastly, this past November, EXIM's Board approved a $169 million direct loan to BETA Technologies, a small business in Vermont that manufactures electric-powered aircraft. The direct loan will finance the expansion of BETA's manufacturing campus and help U.S. manufacturers compete with the PRC for this emerging industry. I am particularly proud that this transaction also falls under EXIM's Make More in America initiative, or MMIA.

Under MMIA, EXIM makes available the agency's existing medium- and long-term loans and loan guarantees to export-oriented domestic manufacturing projects. Doing so will help revitalize American manufacturing, improve supply chain resiliency, and level the playing field for American companies facing unfair competition overseas, including from the PRC.

American industries produce goods, services, and technologies that compete and win in global markets on quality, innovation, and life-cycle price. I heard that message loud and clear during an international export finance conference in Greece earlier this month. Conference attendees from around the world described their preference for buying American goods and services in sectors where the PRC is competing aggressively—such as in critical minerals and telecommunications.

But when the playing field is not level, U.S. exporters are disadvantaged when competing in foreign markets. The PRC's non-market policies and practices harm the ability of American exporters to compete on fair terms in the global marketplace. And because the PRC combines both export finance and development finance, as well as other distortionary policies, to aid its exporters, its role as the largest official source of international development finance makes it a formidable competitor to U.S. exporters.

So, my message to you today is this: we are laser focused on the challenge posed by the PRC and the need to ensure a level playing field for U.S. exporters, and we are using our tools, like our CTEP mandate and MMIA initiative, to address this challenge.

But I will be the first to say we can and should do more. Our CTEP transactions, for example, are still subject to EXIM's two percent default rate cap. Under current law, EXIM cannot experience defaults that equal or exceed two percent. Were that to occur, EXIM would be unable to authorize any new loans until the default rate was brought back below two percent. Suffice it to say, the default rate poses a significant challenge to EXIM's ability to support U.S. exporters. I should also note that China EXIM and the PRC's other export lenders are not bound by these constraints.

By their nature, export credit agencies like EXIM exist to take risks the private market is unable or unwilling to take. Because EXIM operates where gaps in the market exist, we end up supporting transactions with higher risk profiles. Inherent in this risk-taking is the possibility of some defaults.

Put simply: EXIM cannot fulfill its mission of supporting U.S. jobs, and cannot aggressively pursue its mandates from Congress, if this agency, created to take risks that commercial lenders would not, is constrained by the two percent default rate cap.

Currently, this two percent trigger significantly hampers EXIM's willingness to incur risk, particularly in areas where Congress wants us to be bolder, like competing with the PRC through the CTEP mandate.

Other U.S. government lending agencies such as the Department of Energy, the Small Business Administration, and the U.S. International Development Finance Corporation do not face the same two percent constraint. Nor are we aware of any foreign export credit agencies subject to such a stringent restriction. The result for EXIM is an overly conservative underwriting culture that limits our ability to level the playing field for our U.S. exporters.

As part of the FY 2025 budget request, EXIM is seeking a default rate cap exemption for CTEP transactions. This would allow EXIM to compete more aggressively against the PRC and embrace higher risk technologies and markets, ensuring U.S. exporters can compete on equal footing in the global market.

Finally, while reauthorization is not the subject of today's hearing, I would be remiss if I did not mention EXIM's charter expires at the end of 2026.

From 2015 to 2019, between EXIM's charter lapse and lack of Board quorum, the world saw a 35 percent increase in the number of foreign export credit providers. During that period, other official export credit providers evolved their philosophies and substantially expanded their roles and activities. That expansion was in no small part a reaction to competition from the PRC.

EXIM's most recent Annual Report on Global Competitiveness found there was a surge in export credit support in 2023. This surge was led by three countries—Italy, Germany, and, yes, the PRC. Despite our efforts, EXIM was 7th in terms of annual commitments. This is partly because EXIM's foreign competitors have modernized their policies to help their manufacturers gain market share to the disadvantage of U.S. manufacturers.

An early reauthorization with enhancements to the CTEP mandate, backed by large, bipartisan majorities would send a strong signal to the world that Congress is committed to supporting EXIM and empowering the agency to advance America's national interest by facilitating exports and supporting jobs. I look forward to working with you and other congressional stakeholders on bipartisan, multi-year reauthorization legislation.

Thank you again, and I look forward to your questions.