

**DETAILED MINUTES OF THE  
U.S. DEPARTMENT OF COMMERCE  
TRADE FINANCE ADVISORY COUNCIL  
MEETING ON March 27, 2019**

I certify that I was present at the above reported meeting and that the summary of the meeting is accurate.

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Chairman, Kevin Klowden

\_\_\_\_\_

Date

If applicable: (Please note that each paragraph must be marked.)

CLASSIFIED BY:       N/A      

REASON:       N/A      

DECLASSIFY ON:       N/A      

Attachments below include Meeting Minutes and List of Attendees



## TRADE FINANCE ADVISORY COUNCIL

### Public Meeting - Minutes

Wednesday, March 27, 2019 | 1:15 – 4:15pm (EDT)

U.S. Department of Commerce Building

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## WELCOME REMARKS AND INTRODUCTIONS

The Director of International Trade Administration (ITA)'s Office of Finance and Insurance Industries, Paul Thanos, opened the meeting by welcoming attendees, government speakers, and recently appointed TFAC members. TFAC members then introduced themselves and their company affiliation.<sup>1</sup>

In his remarks, Director Thanos emphasized that TFAC members were chosen for their unique business experience and demonstrated abilities to lead change within their industry, both critical to helping the Department of Commerce (Commerce)'s ITA achieve its primary objective of expanding American exports. He stressed the exceptional opportunity of a second charter term to build upon TFAC's previous work and identify new ideas and activities. He noted TFAC member's role in helping shape the conversation on how government can enable collaboration and innovation in the industry, with Commerce as the facilitator.

Director Thanos also took a moment to recognize TFAC's accomplishments under former Chair Kevin Klowden, who has led TFAC's successful adoption of 8 out of 10 recommendations the first charter term. He recommended that Mr. Klowden continue to lead the group to encourage consistency developing and implementing a more ambitious and aggressive workplan. Finally, he encouraged the group to define key priorities at the meeting and a roadmap that would help ensuring that recommendations are transmitted to the Secretary of Commerce expeditiously.

## US GOVERNMENT BRIEFINGS

*Patrick Kirwan, Director of Trade Promotion Coordinating Committee (TPCC), Department of Commerce*

- TPCC focuses on coordinating the priorities among 24 agencies involved in trade programs designed for exporters as well as some at the oversight level.
- Key current activities within TPCC include:
  - USMCA/Trade Agreement with Mexico and Canada: The goal is to inform U.S. companies and promote further understanding of the updates and how to take advantage of new opportunities. Some of the challenges include increasing engagement of local and small business communities.
  - Education: (1) offer a training program for all agencies at Federal level, but also State and local governments; mostly provided by the private sector. About half of a day is designated to discuss basics of trade finance; (2) work with the Small Business Administration (SBA)'s Small Businesses Development Centers, which are about 900 located around the country but only 60 of them have international engagement, to educate about exporting opportunities.

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<sup>1</sup> See Attachment#1 for the list of TFAC members and attendees.

- Re-authorization of the Export Import Bank of the United States (EXIM): Working with relevant agencies on a type of authorization that would get through Congress.
- Infrastructure: Supporting U.S. companies compete with China and other countries' aggressive bidding on infrastructure projects overseas.
- Startup Global: Program for companies that are on their second or third tranche of funding, to help them identify the tools needed to start exporting (e.g., intellectual property rights, export controls, etc.).

In closing, Mr. Kirwan noted that throughout their various interactions with U.S. companies, access to finance is always brought up as a key element. He expressed his eagerness to support the implementation of TFAC recommendations through the agencies.

***Katya Delak, Computer Security Division at the National Institute of Standards and Technology (NIST), Department of Commerce***

- NIST's Information Technology Laboratory has a division that focuses on cybersecurity issues. This division created in 2017 a research driven program on blockchain to study various pilots and evaluate the feasibility of blockchain technology applications.
- She noted that NIST's focus is on blockchain's open source landscape rather than proprietary solutions such as distributed ledger technologies (DLT) used by enterprises.
- In 2018, NIST published an internal report that provides a general background on blockchain. Currently, NIST's projects are largely related to identity management. A pilot on an Ethereum platform showed that it is not yet mature enough for full on deployment. There is still a lot of development going on in the space in terms of the platforms, to make it user friendly and constant updating of the source code used. However, NIST is looking at hybrid methods (not centralized, and not completely user-based but that have some level of control) which may be a useful area to further analyze as the technology matures.
- NIST also investigated a virtual currency that involved a sort of hybrid system including central banking and legal controls. The pilot is not quite mature, depending on the type of blockchain system is implemented. NIST tried on a bitcoin system where there is room for improvement.
- NIST has also been heavily involved on the ISO standards development space. In 2018, they looked to the various standards development bodies that would be involved in blockchain. ISO is in the process of writing a few very technical reports on security and privacy, identity management, which are looking at the state of technology in the areas to be used more as a foundational for future standards in blockchain.
- Other areas NIST is considering as general research projects include trust systems, it is developing a white paper that looks at identity management using different blockchain platforms.
- In the engineering laboratory, a community project that includes private entity, NIST is looking at DLT for the supply chain management, to identify the sourcing of material and provenance.

***Skip Jones, Deputy Assistant Secretary (DAS) for Middle East and Africa on Prosper Africa, Department of Commerce***

- Prosper Africa is the economic and commercial component for the Administration’s new Africa strategy, announced in late 2018 by the National Security Council.
- It recognizes that American companies face competition from foreign companies that have an advantage due to their home government tactics (China brings complete solutions: financing, manpower, questionable compensation transactions, Europeans bring heads of states with dozens of CEOs). Prosper Africa is focused on providing a level playing field for American businesses in this dynamic and virtually unsaturated market.
- Financing is an extremely important element in Prosper Africa’s approach. He stressed that TFAC’s recommendations in this area would be valuable.
- DAS Jones provided an overview of recent recommendations<sup>2</sup> made by the President’s Advisory Council on Doing Business in Africa (PAC-DBIA), housed in Commerce, which are based on four key competitive strengths:
  - dominant role of the U.S. dollar in commercial transactions
  - U.S. characteristics of large, liquid, and very sophisticated capital markets to address African issues
  - U.S. has a different model for development, one that not only includes high quality goods, services and technology, but also corporate responsibility, training, and expert technology support.
  - U.S. companies that have broken into the market can provide services and technologies to embed into African value chains
- The recommendations are:
  - making EXIM fully functional
  - that Commerce establishes “deal teams” for concessional and commercial financing
  - creating African sovereign access to dollar liquidity (i.e., some sort of baskets of reserve currency, transferable commodities or some sort of swap that increases dollar liquidity)
  - passing the BUILD Act, and standing up the new Development Finance Corporation
  - creating a US Government risk transformation mechanism that allows for the sale of aggregated risk exposure from U.S. agencies to private investors
  - regular consultations between government agencies providing technical assistance and the private sector on capacity building, an element underscored by private sector in the PAC-DBIA’s 2018 fact-finding trip to Africa, noting:
    - Ethiopian companies biggest challenge was reliable access to foreign exchange. How to leverage U.S. sophisticated capital markets to find a long-term solution to this, specifically, e.g., in Ghana.
    - many African countries have a sovereign debt problem that needs to be addressed to free up capital.
  - leverage the resources, relationships, and expertise of the African Development Bank
- DAS Jones encouraged TFAC members for feedback on these recommendations and for additional advice.

***Alison J. Germak, Director, Corporate Development, Overseas Private Investment Corporation (OPIC)/International Development Finance Corporation***

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<sup>2</sup> See Attachment #2 for the PAC-DBIA recommendations.

- OPIC's overview: Since 1971, their mission is to mobilize U.S. private capital for investment into emerging markets in developing countries by offering U.S. investors a suite of financial products including (1) political risk insurance that covers political violence, currency inconvertibility and government expropriation/nationalization; (2) debt loans and loan guarantees for American companies investing overseas; and (3) the fund-to-funds program, providing debt to privately-owned privately-managed investment funds that utilize OPIC's capital to pool third-party capital into a vehicle for investment into emerging market companies.
- The BUILD Act: Passed into law by the U.S. Congress last October, with the goal of modernizing and reforming U.S. development finance for the 21<sup>st</sup> century. Four key takeaways:
  - consolidation of existing authorities and responsibilities of OPIC and the USAID office called Development Credit Authority, which provides local currency guarantees, into a new agency called U.S. International Development Finance Corporation (DFC)
  - gives the DFC new authorities: to invest equity into overseas investment projects, and grant authority for technical assistance and feasibility studies
  - increases the portfolio cap of the agency from \$29 billion presently (current portfolio stands at \$23 billion) to \$60 billion.
  - greater emphasis of DFC support on low- and middle-income countries
- Expected to formally open the DFC for business in October 2019. However, still open for business during the transition to work with clients.

***Anthony Ieronimo, Director for Trade Finance at Department of Treasury***

- Treasury's role is to help establish the appropriate balance between private and public sector activity from the perspective of U.S. export finance as well as other agencies around the world. Treasury's main goals in this regard:
  - Ensuring that U.S. exporters are given a level playing field with competitors
  - Minimize market distortions
  - Encourage private sector participation and risk taking
- Heads the U.S. delegation that negotiates with other countries that also provide export financing to agree on reasonable terms and conditions. Under the WTO, export credits are considered a subsidy unless they abide by a set of guidelines. Treasury along with Commerce, State, EXIM and Transportation agencies take part on these negotiations. There are two channels of negotiation:
  - OECD countries: a highly detailed developed set of rules called "the arrangement," including a very sophisticated transparency provision. Recently negotiating on interest rate reform to try to modernize the system if interest rates the export credit agencies provide.
  - Non-OECD countries: which are providing a large share of growing export financing support (e.g., China, Russia, and Brazil) outside of the OECD terms. Negotiating on this broader forum to seek agreement on certain disciplines that would curtail the excessive financing provided.
- Working with U.S. Government and Congress regarding the re-establishment of EXIM.
- Treasury also has an important role with the multilateral development banks, including the African Development Bank, where the Board member is a Treasury employee. Treasury can assist in the Prosper Africa discussions as well.

- Director Ieronimo's question for TFAC's consideration: What is the space that private financing can fill in trade finance with or without the participation of EXIM. He asked for recommendations in terms of the full range of options, and what are appropriate places where there is government-backed financing and financing without government backing.

***David M. Glaccum, Director for the Small Business Administration (SBA)'s Office of International Trade (OIT)***

- He noted that the SBA Administrator has pivoted toward a bigger focus on SBA's international portfolio programs. Also, a renewed focus of SBA's Senate oversight committee. Thus, the TFAC's previous recommendations are being considered.
- The SBA OIT's mission is to increase the volume and value of small business exports. OIT has three divisions:
  - The international affairs trade team, which under the leadership of USTR seats in trade negotiations to advocate small businesses' interests on both a bilateral and multilateral level. Other market access activities not necessarily related to FTAs include e.g., their contribution to an MOU signed with Bahrein to create a more transparent ecosystem for small businesses and increase the relationship and ease for businesses to export to that country.
  - The trade promotion and development team, that focuses on interagency coordination and the State Trade Export Promotion Program (STEP). STEP provides grants (authorized this year for up to \$18 million) to States and US territories for congressionally approved export activities such as trade shows, translation services, marketing material for international audiences, etc. The current ROI for total dollars appropriated and awarded is over 30 to 1.
  - Trade finance teams that work with lenders in the field to provide training, counseling, and in some instances even underwriting loans. SBA has three main loan guarantee programs: international trade loan, export express, and export working capital (EWCP up to \$5 million), offering up to 90% guarantees.
- Director Glaccum noted they are working to address some issues with their programs. The EWCP (\$120 billion total portfolio) is their biggest program, doing 470 loans in 2018 for approximately \$735 million. The program is still largely run by the office of Capital Access, which runs domestic programs as well. TFAC had recommendations in this area are being considering. He mentioned OIT is currently looking at how to structure the interest payment, standard operating procedures and authorizations with lenders, and how to make it user friendly since their clients are different that the regular SBA 7A lenders.

**Q&A with US GOVERNMENT AGENCIES**

- Director Thanos asked DAS Jones to expand on Prosper Africa relevant to TFAC:
  - Prosper Africa seeks to provide a level playing field for U.S. companies. There seems to be a disconnect in U.S. business community about the risks in African markets -which may not be as attractive as other markets like Canada, UK, Japan, or European markets- and the benefits. African markets are under-saturated, thus there are greater opportunities for US companies to capture larger market share. Prosper Africa seeks to advocate investing in Africa as a more attractive opportunity.

- The initiative seeks to evaluate the real risks and propose risk mitigation solutions, areas importantly under the purview of the TFAC.
- Prosper Africa also looks to increase visibility among US companies about African project opportunities, by:
  - developing a mechanism to gather spending plan opportunities from other countries' ministries; which present commercial opportunities for US companies and evaluate how US government agencies can collectively contribute to increasing visibility, access to information, and bidding power for US companies.
  - leveraging the African Development Bank, or greater awareness of MCC or USAID projects as another source of information for the US business community
  - Negotiating a number of Memoranda of Understanding with African governments (some already signed), in order to obtain these countries' spend plans, attain US companies' interest, and work with these African governments and the companies to receive input on the constraints in the country's business environment that may prevent US companies taking advantage of those opportunities (e.g., related to customs issues, intellectual property, standards, etc.).

DAS for Services Sullivan joined the meeting, introduced the work of the Services unit within ITA, which oversees the Office of Finance and Insurance Industries (OFII), the Office of Digital Services Industries (ODSI), and the Office of Supply Chain, Professional and Business Services (OSCBS). He also congratulated the appointees and recognized former members' work as well as former Chair Klowden's leadership.

- Question from TFAC Member DiCaprio: Technology companies struggle to connect with the right point of contact when it comes to policies on digitalization. Within the Federal Government, who leads digital policy?
  - Various units within agencies bureaus deal with digitalization and new technologies, both in terms of free trade agreements, or on a bilateral and multilateral basis.
  - Commerce's ITA and specifically OFII covers Fintech broadly, working closely with Treasury. ODSI works ensuring free data flows e.g., by administering the Privacy Shield Program to make sure that data can flow from Europe to the U.S., encouraging the APEC Cross-Border Privacy Rule System, supporting negotiations for the new digital trade chapter in USMCA. In Africa, OFII is monitoring the adoption of digital technologies skipping traditional banking solutions.
  - DAS Jones noted that ITA's US Foreign Commercial Service has regional "Digital Attaches" who work closely with the Services unit on related issues.

DAS Sullivan introduced Commerce Under Secretary for International Trade Administration, Gil Kaplan.

## **KEYNOTE REMARKS BY UNDER SECRETARY GIL KAPLAN**

U/S Kaplan congratulated recently appointed TFAC members. He expressed his great concern about trade finance and EXIM's current situation. He shared his experience during his trip to

Africa with Secretary Ross and PAC-DBIA members in the summer of 2018, noting that without strong export financing U.S. businesses' competitiveness in the region is extremely impacted. On behalf of Secretary Ross, he thanked members for their willingness to serve and share their expertise to find ways to enhance the financing environment for US exporters. He recognized the significant contribution of former TFAC appointees, including former TFAC Chair Kevin Klowden.

Citing to an increase by 6.3 percent in 2018 to \$2.5 trillion goods and services exports, he emphasized that Commerce and the Administration are dedicated to improving export opportunities for American businesses. U/S Kaplan underscored the importance of trade finance in supporting those objectives and encouraged the group to identify strategies that would warrant access to effective and affordable financing that can empower US businesses' expansion internationally.

U/S Kaplan discussed how the Administration has made progress in addressing a multilateral trading system that fails to prevent unfair and market-distorting trade practices, by negotiating improved and rebalanced trade agreements. He also expressed his concerns about the \$1.5 trillion global trade gap that disproportionately affects small businesses. He asked members to identify education strategies that would increase these companies' likelihood to access financing and ultimately participate successfully in foreign markets.

At a time when EXIM is only partially operational, and export credit competition is growing and shifting to a more strategic role in supporting national exporters, he emphasized the need for private sector active engagement. U/S Kaplan alluded to China as the world's largest provider of short and mid-long-term export financing provided in 2017. He tasked the TFAC with designing innovative solutions that can increase credit capacity and mitigate risk, as well as alleviate the unintended impact of tightened financial regulations that have reduced trade finance capacity. He expressed Commerce's commitment to working with the private sector in collaboration with government agencies to guarantee US exporters are able to compete effectively and fairly in foreign markets.

U/S Kaplan also mentioned his optimism about digital technologies' potential to transform the finance industry, including trade finance. He asked the group to determine key obstacles for the adoption of these technologies in trade finance and ways in which Commerce can engage to help accelerate the process where impactful.

Finally, he stressed the importance of identifying areas where greater public-private sector collaboration can effectively enhance financing opportunities for exporters.

TFAC members briefly introduced themselves and their companies/industry sub-sector representation. In closing, U/S Kaplan posed two questions to the group for further consideration as priority areas are identified:

- 1) What can the private sector do to fill the gap that EXIM is leaving open, possibly in collaboration with U.S. financing agencies, but more importantly, offering solely private sector alternatives.
- 2) Looking at new technologies, what business models and solutions Commerce should focus his efforts on which can prove to be impactful in the trade finance space and facilitate increased access to credit.



## TFAC LEADERSHIP STRUCTURE & NEXT STEPS

Paul Thanos reiterated U/S Kaplan and DAS Sullivan's recommendations that Kevin Klowden continue to lead the group and asked for members comments. Members voted affirmatively, and Mr. Klowden was elected Chair for the second charter term.

Chair Klowden summarized key areas from recommendations adopted by the TFAC in its first charter term, including data standardization, increasing capacity for SBA and EXIM, education strategies, data collection on trade finance through the Federal Reserve, and export credit insurance.<sup>3</sup>

Chair Klowden suggested the structure of the TFAC to include up to four subcommittees with each of the leaders to be designated as TFAC Vice-Chairs. He then reiterated priority areas mentioned by U/S Kaplan to be considered for subcommittees: public-private sector collaboration (how to get the private sector to lend more, to what extent States can be involved), education strategies for SMEs, digital technologies utilization and adoption, and potentially including issues regarding legal framework and global standards in digitalization. Finally, he recommended to consider Prosper Africa discussions and facilitation of international markets to increase US businesses exporting to the region. Chair Klowden opened it up for members to provide comments:

- TFAC Member Mendell: Asked about the format to be used for recommendations. Chair Klowden suggested a liberal format. Although broader research to support the idea is expected, he explained that the recommendations should be direct and to the point. He also stressed the importance in looking at any actions that Commerce can take, compare to other agencies, which will help with the implementation piece.
- TFAC Member DiCaprio: Proposed establishing a subcommittee to look at digital standards and discuss about building the infrastructure for new technologies for trade finance, consider everything that is being done in the digital space and what can be done to enable that to grow. Chair Klowden added that the Asian Development Bank had suggested to look at legal entity identifiers and its adoption at an international level.
- TFAC Member Finkelstein: Suggested to look at how to use data to advance the various applications of financial technology.
- TFAC Member David Shogren: Offered to support efforts in the education space.
- TFAC Member Zhang: Suggested to identify ways or a toolbox to better access country specific, buyer-specific information.
- TFAC Member Pische: Observed that educational resources exist but there is lack of coordination among agencies, even duplicative efforts and programs offered. Chair Klowden commented that TFAC looked at this in the past, the most common export finance advise is providing point of contact information for official resources but not private sector. Connecting these networks would be helpful, he added.

There were no public comments submitted in advance of the meeting or at the meeting. The meeting was adjourned. TFAC members then attended an administrative session with Commerce Attorneys to learn about the Federal Advisory Committee Act (FACA) and their role and responsibilities under FACA.<sup>4</sup>

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<sup>3</sup> See Attachment#3 for a summary TFAC recommendations. The complete documents can be found on the TFAC [website](#).

<sup>4</sup> See Attachment#4 for key takeaways from the session.