



Statement of

**JOSEPH WATTERS**

*Director of International Sales,  
Hoffman International  
Piscataway, New Jersey*

And on behalf of

**THE SMALL BUSINESS EXPORTERS ASSOCIATION OF THE UNITED STATES**

Before the

Subcommittee on Domestic and International Monetary Policy, Trade and Technology  
Committee on Financial Services  
U.S. House of Representatives

***"Oversight of the Export-Import Bank of the United States"***

10 November 2005

**The Small Business Exporters Association of the United States**

*America's Premier Association for Small and Mid-Sized Exporters®*

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CHAIRMAN PRYCE, VICE-CHAIRMAN BIGGERT, REPRESENTATIVE MALONEY, MEMBERS OF THE COMMITTEE, GOOD MORNING. AND THANK YOU FOR THE INVITATION TO TESTIFY AT THIS HEARING.

MY NAME IS JOSEPH WATTERS AND I AM THE MANAGING DIRECTOR OF INTERNATIONAL SALES FOR HOFFMAN INTERNATIONAL, LOCATED IN PISCATAWAY, NJ.

I'M BEFORE YOU TODAY, REPRESENTING MY COMPANY AS WELL AS THE SMALL BUSINESS EXPORTERS ASSOCIATION OF THE UNITED STATES OF WHICH WE ARE PROUD MEMBERS.

BY WAY OF BACKGROUND, HOFFMAN INTERNATIONAL IS A PRIVATELY OWNED FIRM, ORIGINALLY FOUNDED IN 1920 AND WE CURRENTLY EMPLOY SOME 70 PEOPLE WITH AN ANNUAL TURNOVER OF APPROXIMATELY \$ 50 MILLION. WE ARE A DISTRIBUTOR, REPRESENTING MAJOR MANUFACTURERS OF CONSTRUCTION, EARTHMOVING, AND LIFTING EQUIPMENT FOR THE SALE, RENTAL, LEASE AND SERVICE OF THE EQUIPMENT THROUGHOUT NEW JERSEY, NEW YORK CITY, LONG ISLAND AND EASTERN PENNSYLVANIA.

IN ADDITION TO OUR DOMESTIC BUSINESS, WE HAVE, FOR THE PAST 35 YEARS, OPERATED AN INTERNATIONAL GROUP WITHIN OUR COMPANY. IT FOCUSES EXCLUSIVELY ON THE GLOBAL MARKETPLACE FOR THE SAME SALE OF PARTS AND NEW AND USED EQUIPMENT. WE TARGET EMERGING MARKETS AROUND THE GLOBE. OUR PRIMARY MARKETS INCLUDE CENTRAL AND SOUTH AMERICA, RUSSIA AND THE CIS COUNTRIES, EGYPT TOGETHER WITH EAST, WEST AND SOUTH AFRICA.

SBEA, FOR WHOM I SERVED AS CHAIRMAN OF THE BOARD FROM 1999 TO 2002, REPRESENTS ITS OWN GROUP OF SEVERAL HUNDRED ACTIVE EXPORTERS, AS WELL AS OVER 22,000 MEMBERS OF THE NATIONAL SMALL BUSINESS ASSOCIATION MANY OF WHOM ARE INVOLVED IN EXPORTING.

SBEA'S PRESIDENT, JIM MORRISON, REGRETS THAT HE COULD NOT JOIN US, DUE TO TWO MAJOR EVENTS THAT SBEA AND NSBA ARE HAVING IN LOS ANGELES TODAY AND TOMORROW.

SBEA HAS HAD A LONG AND CONSTRUCTIVE RELATIONSHIP WITH EX-IM BANK. MANY OF OUR MEMBERS ARE FREQUENT USERS OF THE BANK'S PRODUCTS AND I MIGHT ADD THAT ASSURING THE CONTINUED VITALITY AND SMOOTH FUNCTIONING OF THE BANK IS THE SINGLE STRONGEST BOND THAT CONNECTS THE MEMBERS OF OUR ASSOCIATION.

CONGRESS ORIGINALLY DESIGNED EX-IM TO BE THE "LENDER OF LAST RESORT" FOR AMERICAN EXPORTERS. YET FOR US, AS SMALL AND MID-SIZED COMPANIES, THE BANK IS FREQUENTLY THE "LENDER OF ONLY RESORT."

BANKS ALL OVER THE WORLD OVER FEAR FOREIGN RISK! THAT'S WHY EVERY MAJOR INDUSTRIAL NATION HAS AN EXPORT CREDIT AGENCY COMPARABLE TO EX-IM BANK.

RELATIVELY FEW BANKS IN THE U.S. GET PAST THAT FEAR OF FOREIGN RISK TO THE POINT OF UNDERSTANDING INTERNATIONAL TRADE FINANCING.

AND OF THOSE FEW COMMERCIAL BANKS THAT DO UNDERSTAND INTERNATIONAL TRADE FINANCING, EVEN FEWER OF THEM WILL ASSIST "SME'S" WITH TRANSACTIONS OF UNDER A MILLION DOLLARS.

WITHOUT THE GUARANTEES AND INSURANCE THAT EX-IM PROVIDES, VIRTUALLY NO COMMERCIAL BANK WOULD UNDERWRITE SME EXPORT TRANSACTIONS, PARTICULARLY WHEN THE COLLATERAL COVERED BY THE TRANSACTIONS WILL BE OUTSIDE THE UNITED STATES.

SO LETS BE DIRECT – SME'S THAT EXPORT NEED THE EX-IM BANK.

MY COMPANY WOULD SUFFER A MAJOR LOSS OF BUSINESS WITHOUT IT, AND WE WOULD CERTAINLY HAVE TO EXAMINE OUR DEDICATION AND FINANCIAL COMMITMENT TO THE GLOBAL MARKET PLACE IN ITS ABSENCE. FINANCING PLAYS AN INCREASINGLY IMPORTANT ROLE IN EXPORT SALES. THIS IS PARTICULARLY TRUE FOR SMALLER COMPANIES LIKE MINE, AND THOSE OF OTHER SBEA MEMBERS, WHOSE FOREIGN BUYERS NEED FINANCING TO AFFORD TO BUY WHAT WE AND AMERICA HAS FOR SALE.

AND IT'S ALMOST MANDATORY FOR BUYERS IN DEVELOPING COUNTRIES. THEY HAVE ENORMOUS NEEDS FOR EVERYTHING OUR COUNTRY SELLS, FROM MY BULLDOZERS FOR BUILDING THEIR ROADS -- TO MEDICAL AND HYGENE PRODUCTS FOR CLINICS AND SCHOOLS -- TO TYPICAL CONSUMER GOODS. THEY NEED TO PAY FOR THESE PURCHASES OVER TIME, BUT MORE OFTEN THAN NOT, THEIR OWN BANKING SYSTEMS CANNOT SUPPORT EITHER SHORT OR LONGER TERM FINANCING.

SMALL USA COMPANIES CAN PLAY AN IMPORTANT ROLE IN THESE MARKETS. WE CAN HANDLE SMALL OR LARGE ORDERS, BY BEING MORE NIMBLE AND FLEXIBLE THAN LARGE COMPANIES. BUT WE NEED MORE THAN A QUALITY PRODUCT AND A SALESMAN'S SMILE. WE NEED TO PROVIDE THE MEANS FOR OUR CUSTOMERS TO PAY FOR THESE GOODS AND SERVICES. IN A WORD, WE NEED FINANCING AND FOR CAPITAL GOODS, LIKE THOSE WE SELL. WE NEED 3 TO 5 YEAR MEDIUM TERM FINANCING THAT MEETS A CLIENT'S CASH FLOW CAPACITIES.

IF SMALL BUSINESS IS INDEED THE ENGINE OF THE U.S. ECONOMY, THEN OUR COMPANIES THAT EXPORT CRITICALLY NEED AN AGGRESSIVE AND EFFECTIVE EX-IM BANK TO KEEP THAT ENGINE HUMMING! VIRTUALLY EVERY LARGE COMPANY IN THE U.S. EXPORTS. LESS THAN TEN PERCENT OF THE SMALL ONES DO. IF WE ARE SERIOUS ABOUT ADDRESSING THE \$50 BILLION-A-MONTH TRADE DEFICIT, WE HAVE TO GET MORE OF OUR SMALL COMPANIES OUT ON THE INTERNATIONAL PLAYING FIELD. AND THAT MEANS WE HAVE TO BACK THEM UP WITH DEPENDABLE EXPORT FINANCE.

SO WE AT SBEA KEEP A CLOSE WATCH ON EM-IM. WE OFTEN MAKE SUGGESTIONS TO THE EX-IM LEADERSHIP FOR IMPROVEMENTS IN THE BANK'S OPERATIONS.

IN THAT SPIRIT, I WOULD LIKE TO SHARE WITH THE SUBCOMMITTEE SOME RECOMMENDATIONS THAT WE HAVE MADE TO BANK OFFICIALS OVER THE PAST YEAR OR TWO. WE HOPE THESE RECOMMENDATIONS WILL PROVIDE YOU WITH A WAY OF STRENGTHENING EX-IM AS YOU MOVE FORWARD ON THE BANK'S REAUTHORIZATION NEXT YEAR.

OUR RECOMMENDATIONS FALL INTO THREE CATEGORIES.

**FIRST, TRANSPARENCY.**

THE BANK NEEDS TO BETTER CONNECT WITH ITS CLIENTS THROUGH GREATER OPENNESS ABOUT ITS GUIDELINES AND REQUIREMENTS, AND THE STATUS OF PROCESSING OF PARTICULAR TRANSACTIONS. CUSTOMERS SHOULD KNOW, AS THEY ONCE DID, WHICH UNDERWRITERS ARE ASSIGNED TO A CASE. THEN THERE SHOULD BE A MORE OPEN AND HONEST DIALOG BETWEEN THE UNDERWRITERS AND THE CUSTOMERS. THE BANK SHOULD QUICKLY ASSESS A POTENTIAL TRANSACTION AND JUST AS QUICKLY OFFER SUGGESTIONS, IF ANY ARE NEEDED, FOR STRENGTHENING A POTENTIAL DEAL. THIS IS COMMON PRACTICE IN COMMERCIAL BANKING, AND IT SHOULD BE COMMON PRACTICE AT EX-IM.

**SECOND IS EFFICIENCY.**

EFFICIENCY MEANS RAPID PROCESSING. THE BANK SEEMS TO DO QUITE WELL WITH ITS SHORT TERM FINANCING PRODUCTS BUT FOR MEDIUM TERM VIRTUALLY ALL OUR MEMBERS FIND THE TRANSACTION PERIOD ENTIRELY TOO LONG. MUCH TOO LONG!!!! TIME IS A CRITICAL COMMODITY! IF WE DON'T MOVE RAPIDLY, WE LOSE CUSTOMERS! SMALL COMPANIES SIMPLY CAN'T AFFORD TO NURSEMAID A TRANSACTION THROUGH THE EX-IM BUREAUCRACY

KEEP IN MIND THAT FOR THE COUNTRY AS A WHOLE, MEDIUM-TERM TRANSACTIONS OFFER SOME OF THE BEST PAYOFFS IN HIGH-DOLLAR EXPORT SALES.

EFFICIENCY ALSO MEANS AUTOMATION. CERTAINLY, BETTER IMPLEMENTATION OF I-T WOULD HELP.

WE BELIEVE EXPANDED PARTNERING PROGRAMS WITH COMMERCIAL BANKS WOULD ALSO IMPROVE THE BANKS EFFICIENCY. EX-IM CURRENTLY HAS A SUPERB WORKING CAPITAL GUARANTY PROGRAM WHICH IS ENORMOUSLY HELPFUL TO SME'S. OUR COMPANY HAS A FACILITY COVERED BY THIS PROGRAM AND SOMETIMES I WONDER HOW WE WOULD EVER ARRANGE OUR PRE EXPORT FINANCING WITHOUT IT. THE PROGRAM IS LARGELY HANDLED BY COMMERCIAL BANKS USING EX-IM'S DELEGATED AUTHORITY. WE'D LIKE TO SEE THIS TYPE OF DELEGATED AUTHORITY EXPANDED TO INCLUDE MEDIUM TERM PRODUCTS.

THE SBA DELEGATES MUCH OF ITS EXPORT LENDING AUTHORITY TO COMMERCIAL BANKS AND NOW OPIC IS MOVING MORE OF ITS GROWING SME BUSINESS OUT TO

BANKS AND DEAL MAKERS. EX-IM'S MEDIUM-TERM FINANCING SEEMS TO BE THE ONE EXCEPTION TO THIS TREND. WHY? IF A RELIABLE COMMERCIAL BANK CAN DO MUCH OF EX-IM'S HOMEWORK BEFORE SUBMITTING A DEAL, THEN WHY DOES EX-IM NEED TO "REINVENT THE WHEEL" BY DOING IT AGAIN? AND IF THE BANK PROVES UNRELIABLE, THEN EX-IM HAS THE SAME POWER THAT SBA AND OPIC HAVE TO PULL THE DELEGATED AUTHORITY.

**THIRD AND OUR FINAL TOPIC. FOCUS.**

CONGRESS HAS MANDATED THAT 20% OF EX-IM'S BUSINESS MUST INVOLVE SMALL BUSINESS EXPORTER TRANSACTIONS. THIS IS A SIGNIFICANT CHALLENGE FOR THE BANK BUT MEETING OR EXCEEDING IT ONLY ADDS MORE FUEL AND FIRE TO THAT SMALL BUSINESS ENGINE. SHARPER FOCUS ON THIS OBJECTIVE WILL HELP AND BY THAT WE MEAN THE ESTABLISHMENT OF A DEDICATED SMALL BUSINESS DIVISION AT THE BANK, COMPARABLE TO THE HIGHLY SUCCESSFUL ONE AT OPIC, ONE THAT ANSWERS DIRECTLY TO THE EX-IM BOARD.

IT MEANS HAVING UNDERWRITERS THAT WORK ON NOTHING ELSE BUT SME DEALS. AND IT MEANS DEVELOPING INCENTIVE PROGRAMS TO BETTER MOTIVATE EX-IM EMPLOYEES TO ORIGINATE SME DEALS, MOVE THEM EXPEDITIOUSLY THROUGH THE BANK AND THEN REWARD THOSE PEOPLE WHO PERFORM AND DO A GOOD JOB.

IN SUMMARY WE BELIEVE, EX-IM BANK PLAYS A VITAL ROLE IN FACILITATING EXPORTS BY PROVIDING FINANCING PROGRAMS THAT ALLOW A SMALL BUSINESS EXPORTER TO BRING SHORT AND LONGER TERM CUSTOMER FINANCING TO THE NEGOTIATING TABLE... A CRITICAL INGREDIENT TO ANY EXPORT TRANSACTION. BUT WE ALSO BELIEVE THAT THE BANK NEEDS TO OPERATE MORE RAPIDLY, MORE FLEXIBLY, AND MORE OPENLY WHICH WILL CREATE AN EVEN GREATER POSITIVE IMPACT ON THE EXPORT OF USA PRODUCTS BY SMALL BUSINESSES.

THANK YOU FOR YOUR TIME AND ATTENTION TO MY REMARKS!

## **Biographical Data**

Joseph F. Watters  
49 Golf View Drive  
Little Egg Harbor, NJ 08087

**2002 to Current** - Hoffman International, Inc.  
Piscataway, NJ 08855  
Managing Director of International Sales

**1978 to 2002** - President and Part Owner  
of Hoffman International, Inc.

**1967-1978** - Various management positions with  
Hoffman International Inc.

**Military Services** - Capt. USMC 1958-1962

**Education** - BS Business Management  
St. Peters College  
Jersey City, NJ

**Other Achievements** - \*1999-2002

Former Chairman of Small Business Export's Association

\*Previously served in various association management positions

\*2002-2004

Former Board Member of National Small Business Association

\*2002-2004

Former Member of Sub Sahara (Africa) Advisory Committee  
USA Export-Import Bank

United States House of Representatives  
Committee on Financial Services

"TRUTH IN TESTIMONY" DISCLOSURE FORM

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

1. Name: Joseph F. Watters	2. Organization or organizations you are representing: Small Business Exporters Assn
3. Business Address and telephone number: 300 South Randolphville Road Piscataway, NJ 08855 (732) 752-3600	
4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2004 related to the subject on which you have been invited to testify?  <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2004 related to the subject on which you have been invited to testify?  <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
6. If you answered "yes" to either Item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.   Nov. 8, 2005	
Please attach a copy of this form to your written testimony.	