
A Customer's Point of View

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General Electric (GE) is a major exporter of US-manufactured advanced technology products and services, with operations around the world. GE is particularly well suited to represent the voice of the customer, because it is the only US Export-Import Bank customer involved in every program that the Bank offers: From working capital to project finance, from credit insurance to asset-backed aircraft deals and everything in between, GE brings to its customers the many services provided by Ex-Im in order to export its products to the far reaches of the globe. This is particularly the case in areas where risk considerations would otherwise limit the ability of GE's customers to obtain financing.

In 1999, 10 of the top 20 GE businesses, accounting for approximately 80 percent of its \$111 billion in revenues, had transactions supported by Ex-Im Bank valued at \$1.4 billion. This Ex-Im support preserved or created 28,000 GE jobs and countless others in its supplier firms. In 2000, GE could reach \$1.5 billion in transactions with the Bank. Ex-Im's support primarily assists GE in exporting its traditional products, which range from aircraft engines and locomotives to medical equipment and power plants.

Although GE's traditional businesses have been among the largest users of Ex-Im Bank, its emerging businesses—in particular those businesses born on the World Wide Web—have yet to realize the benefits of this relationship. In the future, the Internet will become an important tool for

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the Bank; as more of its customers digitize their businesses, Ex-Im will have an opportunity to streamline its processes and become more customer oriented. GE Power Systems alone anticipates purchasing 90 percent of its more than \$8 billion worth of sourced material and components on-line this year, and it should close 2000 with \$1.5 billion worth of on-line orders.

For Ex-Im Bank to continue providing competitive financing to US exporters, I believe the Bank must embrace three key themes:

- Growing through globalization;
- Leveling the playing field for US exporters; and
- Improving its own productivity and processes.

Growing through Globalization

Just 5 years ago in 1995, GE Power Systems was a \$6.5 billion business anchored in the core power generation segment of the energy industry. It was very susceptible to business cycles and country unrest. But it realized that it needed to change because its customers were changing and it had a responsibility to its shareholders to deliver a competitive return on their investment.

Today, with more than \$14 billion in revenue, GE Power Systems is the largest single business unit of the top 20 GE businesses. It has shifted dramatically from a traditional product-focused business to a mix that now includes high-technology services, software, and a globally dispersed workforce. Its revenues have more than doubled but, more important, its number of business segments has increased as well, reducing its reliance on traditional product lines and helping to insulate it from the cyclical nature of the power generation industry. Exports for this business have been as high as 80 percent of total revenues during the past 5 years. And I am proud to say that GE Power Systems is now the only manufacturer of all components of combined-cycle power plants left in the United States. We plan to stay here to protect our intellectual property and US jobs.

Could GE Power Systems be bigger? Yes. And Ex-Im Bank could help it grow. To do so, I will suggest that Ex-Im model new responses to some of the hurdles the company has faced. I would like to challenge Ex-Im to get more involved in finding new methods to finance more of the Bank's customers' activities in a global economy.

In our business, we use a concept called "metamarketing." I challenge our sales organization to determine market share not by how many turbines they sell in a particular market but rather by looking at a customer's total activity and asking, "What percentage of that customer's

cost can become GE revenue?" As we work together to build an export credit agency for the twenty-first century, I believe we need to concentrate on ways to competitively support more of our customer activities. Such an approach would lead Ex-Im, for example, to finance long-term service agreements and to optimize its disbursement procedures to accommodate just-in-time shipments from inventory.

Ex-Im can limit itself to financing only US content, or it can expand its view to encompass US-influenced projects that potentially involve more technology. I would like Ex-Im to look at every transaction and ask how the Bank could help finance all the customer activities that US exporters serve.

GE Power Systems currently has 224 projects in 36 countries around the globe, valued at more than \$18 billion. Unfortunately, Ex-Im is involved in less than 5 percent of this activity. Our company's globalization efforts go beyond sales by bringing more opportunities to the United States than would have otherwise been available. By enthusiastically embracing globalization in the past, the company was able to creatively respond to the recent unprecedented demand for power generation equipment in the US market. Through a series of acquisitions and alliances, it has been able to assemble a global supply chain that is now poised to operate cost-effectively around the world and use more high-technology US content on global projects. We are radically changing our business, and we want Ex-Im to change with us.

I believe our company's vision should result in worthwhile projects around the world having access to the most technologically advanced, highest-quality products, parts, and services available. Cofinancing is one way that Ex-Im can help ensure that this happens. Here is one example of how the globalization of GE Power Systems emphasizes the need for Ex-Im to move rapidly toward approving a cofinancing program. The company acquired a hydropower business based in Norway, which doubled its business and brought new technologies immediately to its portfolio. Before the acquisition, the company was limited to using Norwegian export financing on projects to China.

Now the Norwegian business draws on the resources of the entire GE Power Systems portfolio, which includes businesses based in Brazil, Canada, and the United States and serves new markets such as Ghana and Turkey. Efficient cofinancing among Ex-Im, Brazil, Canada, and Norway would greatly enhance GE's capabilities to meet customers' requirements.

Leveling the Playing Field

It is useful to give an example of how current US Export-Import Bank guidelines and policy have had a negative impact on US employment. This example features a high-technology product that required significant

reinvestment in technology and capital and was backed by a very strong global supply chain. GE Power Systems enjoyed more than 50 percent of the global market in this product category. Not too long ago, a foreign competitor with a less proven product, but with the advantage of concessionary financing, won a multiyear contract. The result was a significant layoff of highly skilled workers in a business that had literally reinvented itself during the preceding 3 years, becoming more customer focused and delivering better quality and greater reliability. Everyone lost in this deal. The employees lost, the company lost, the supply chain lost, the community lost, and the government lost.

To be clear, GE Power Systems is a great advocate for Ex-Im, and the company and Bank have a very healthy, candid relationship. I give these examples merely to solicit support for Ex-Im's vision for policy change and improved competitiveness.

As our company looks at the playing field for US exporters, we see a number of hurdles that force us to compete on a less-than-level playing field. These hurdles—the Foreign Corrupt Practices Act, US shipping requirements, and Ex-Im's foreign-content guidelines—tend to take the focus away from product technology, quality, and reliability and from a company's ability to fulfill customer needs.

The Foreign Corrupt Practices Act

I am not suggesting that we eliminate or soften the Foreign Corrupt Practices Act (FCPA); it is an important regulation. I *am* suggesting, however, that it be modified to require the offshore parent company of a US affiliate to comply with the same strict policy guidelines that the affiliate endorses when agreeing to the terms of the FCPA. Today, a US affiliate is required to sign this document, but the parent company based abroad does not need to substantiate compliance with these policies. This needs to change.

US Shipping Requirements

Current policies requiring overseas shipment of products supported by Ex-Im on US-flag vessels are restrictive, prohibitive, and very costly. Quite simply, they make the US exporter less competitive. This relic of protectionism is counterproductive in today's global economy. (Imagine trying to impose similar restrictions on the flow of information over the Internet!)

Ex-Im's Foreign-Content Guidelines

Ex-Im's foreign-content guidelines should be modified to reflect the realities faced today by US businesses in their quest to compete globally.

We all know that Ex-Im Bank is the most restrictive and inflexible of all export agencies—allowing only 15 percent foreign content. Other export credit agencies will approve a transaction that contains as little as 30 percent local content. At a minimum, Ex-Im’s 15 percent guideline should be applied at the project level, instead of the component level, so we can keep the high-value work onshore.

The reality of today’s global supply chain network is the result of businesses having to compete on quality, price, and delivery. As more and more businesses become truly global, we need to be able to compete with more globally transparent financing.

Improving Productivity and Processes

There is an ongoing debate comparing differences between the “old economy” and the “new economy.” We are really dealing with one economy—the *digital* economy—with a new, powerful tool in the form of the Internet that is helping to level the playing field for both large and small businesses globally. The winners will be those companies—whether born on the Web like Amazon.com or evolved from brick and mortar like GE—that embrace this awesome new tool as a competitive advantage.

At GE, we challenge ourselves every day to focus on customer fulfillment: to become the first mover, and to measure ourselves through the eyes of our customers. We no longer measure customer fulfillment by tracking when a shipment reaches the shipping dock. We now track our performance on the basis of when a power plant is commissioned and generating revenue—not revenue for us but for our customer. This customer-focused model can also serve as a model for how Ex-Im can evolve into a more customer-focused organization.

I encourage Ex-Im to emulate the transition that I am sure all its customers are going through. Digitizing processes throughout the Bank is an important first step toward becoming more customer centered.

Expediting Ex-Im’s application processing and approval systems will greatly enhance its capabilities in today’s fast-paced environment, and allow its customers to improve their global competitiveness. Imagine the first time an Internet-enabled exporter, who is already taking orders online, confronts the seven-page paper copy of the Ex-Im supplier certificate! Using Internet jargon, “This process needs to be Internet-enabled with e-signature capabilities and a certificate wizard that includes on-line help to guide the first-time exporter through the application.”

Ex-Im Bank’s medium-term guarantee program is an excellent example of the Bank taking steps to streamline its processes. The current \$10 million maximum, however, is out of date. Raising the limit from \$10 million to \$25 million would be a very positive move.

Conclusion

I encourage the US Export-Import Bank to seriously consider the issues I have raised. These issues are critical not only to the future of the Bank but to the future of high-quality job growth in the United States. I know the United States is enjoying a very robust economy, and some US producers may not be as focused on exports as they should be. I can assure you that this country's global competitors are using exports as a way to grow their local economies. Today, it is Economics 101. The United States should better prepare now to be able to compete effectively later.