

CHAIRMAN'S PREVIEW STATEMENT

The purpose of this hearing is to investigate allegations of serious and widespread corruption at the Export Import Bank of the United States. According to a recent report in The Wall Street Journal, at least four bank employees are under investigation for accepting bribes and steering federal contracts to favored companies. In fact, fraud within and against the Bank may be far more widespread. The Acting Inspector General of Bank has informed the Committee that there are at least 40 active and ongoing investigations of fraud.

In a hearing last month before the Financial Services Committee, Mr. Hochberg testified:

“The article that was in yesterday's Wall Street Journal, in my opinion, is actually a good article because it says to our staff and the exporter: if you're doing anything funny business, we are onto you.”

Yet just a few years ago, the Ex-Im Bank was at the center of the most high-profile corruption scandal since ABSCAM, when former Congressman William Jefferson was caught with \$90,000 in his freezer. As part of that investigation, an Ex-Im Bank employee admitted to taking a \$100,000 bribe from Nigerian businessmen seeking financing from the Bank.

Apparently, the Bank employees need regular reminders that it is wrong to accept bribes.

The allegations are appalling, but they are hardly shocking. The sole purpose of the Ex-Im Bank is to hand out billions of dollars to private companies in the form of direct loans, loan guarantees, and credit insurance. Given such massive government largess, the Bank is a natural target for fraud, and its employees are natural targets for bribery and corruption. What is shocking is how the Bank has managed that risk.

One of the witnesses before the Committee today is alleged to have accepted bribes from a South Florida exporter known as “Impex Associates.” Ex-Im Bank has a long history with Impex Associates, approving over 22 deals stretching from 2002 to 2011. But in 2006, a 70-page lawsuit filed in federal court laid out in excruciating detail how Impex Associates was nothing more than a massive scheme to defraud the Bank.

Even after the whole world knew that Impex Associates was bilking the American taxpayer, it took the Bank's management three years to suspect there was anything wrong, and refer the matter to the Inspector General. In fact, during those three years, the Bank approved five more deals with Impex – subjecting taxpayers to up to 40 million dollars in liability.

According to the 2013 Federal Employee Survey, the Bank's staff have little faith in its leadership. When asked if “My organization's leaders maintain high standards of honesty and integrity,” only 42% said yes. When asked whether they could “disclose a suspected violation of any law, rule or regulation without fear of reprisal,” only 50% said yes.

President Obama famously said that when the American people lose faith in the ethical standards of government employees, “all is lost.” Sadly, that appears to be the case today.