

>> Announcer: Ladies and gentlemen, next up we have The Global Power Competition, A conversation with the chairman of GE Gas Power. Please welcome our moderator Matthew Goodman CSIS and John Rice, Chairman of GE Gas Power.

>> Alright, well, I'm delighted to be here with you all. Good morning, my name is Matthew Goodman, with the Center for Strategic International Studies. Delighted to be back here with friends at EXIM at this great conference and especially to be joined by John Rice, who is the Chairman of GE Gas Power as I'm sure you all know he's a well known figure here in Washington and in the EXIM family as well. Delighted to be with us, we have a chance for about 20, 25 minutes of conversation and I want to ask you first, John, just broadly speaking what do you see when you look at the world? What are the big opportunities in your business and what kinds of challenges do you have out there?

>> Well it's a timely question, I guess for me I just got back from two weeks in the Middle East and Asia so I'm up to date on at least seven countries. Countries where the stuff that we're talking about in this conference is hugely important. You know, there's still roughly a billion people in the world that don't have access to electricity the need for infrastructure in general, and there's lots of people that study this Mackenzie and CSIS and other good entities full of smart people. Dramatic, huge shortfalls in infrastructure, investments around the world and populations that are increasingly demanding that their governments do something about it so the pressure to kinda push this stuff through is getting more and more acute and the need for financing as part of that is as important as it's ever been. I mean, in the seven countries I went to so there was Saudi Arabia, the UAE, Bangladesh, Sri Lanka and then Korea, Taiwan and Singapore they're all talking about infrastructure projects and power. They have different views on nuclear and coal but they know that they have to keep building out this infrastructure framework and the companies that they do business with have to bring a financing solution to the table with them.

>> Let's come to the financing but just first, one last question about the kind of landscape which is, how does gas fit into the broader story? Where are the biggest opportunities in, versus other alternatives, what is gas', the outlook for gas in this infrastructure story?

>> Well, every country that I visited had big ideas with respect to gas additions to their portfolio. They're all, they're all expanding renewables, some are, the UAE's building a nuclear plant, Taiwan and Korea have said they're gonna shut their nuclear stuff down, so you have bimodal distribution on nuclear you have some countries that are very committed to do it and other countries that are pulling back. Same thing with coal, you have some countries that have announced that

they're getting out of the coal business but other countries that still rely on coal-fired power generation for 40% to 50% of the power production, for their population. There have to be two, happens to be two big ones still, India and China still need a lot of coal to make it work. But gas and I would say in general you're gonna see more of a gravitational pull towards gas and renewables in the construct of these countries portfolio of power generation technology.

>> And, sort of again, for a lay man why is that? What's the big blow for gas?

>> Well, environment is one. People are worried about greenhouse gases and global warming and they have different ways to think about the solution depending on whether you're in China or in France, right? But everybody understands I think, that something has to be done. The question is, who's gonna pay the price and how is that price gonna be paid? So if you look at expanding the nuclear framework, just take the United States, for example where it's very difficult to do, and limited interest in doing more coal projects in a lot of countries, that gap is gonna get filled by gas and renewables.

>> Okay, let's talk about the financing part of this, Why is that so important? What has changed? Why is it so much more important today than it was 10, 15 years ago?

>> Well, mostly because the way the capital was flowing back then. You had plenty of large banks, financial institutions in the United States, in Europe, that were willing to fund infrastructure projects and around the time of the global financial crisis a lot of that changed. Though it became more difficult for the traditional sources of financing to be present and countries that needed the infrastructure projects had to look to other places and began to rely more on their suppliers. You know, I ran the power business 20 years ago and financing almost never came up as part of the package that we would create to fulfill the needs of a big power project in an emerging market and today it's always part of the discussion.

>> They expect you to come with that total package.

>> They expect us to come and frequently export credit financing is spelled out in the bidding documents. So this idea that has tended to prevail in this city around export credit financing being a subsidy for big companies couldn't be further from the truth because as you all know, export credit financing does not go to GE or Boeing or Caterpillar. It goes to the customer, right? And the second thing is that you can't bid, your bid is technically not valid if they ask for an export credit option and you don't provide it. So even if you have the best technical solution and the best price, your competition is gonna object if you win and they're probably gonna prevail. So this point that it's a condition right up front as part of the bid that you

at least have it as an option whether they choose to select it or not that's up to them. Sometimes they'll go where they find the best priced option. To submit a legitimate bid you have to have a source.

>> And who's doing it right? I mean who's bringing this package, obviously leading question because China presumably is part of this story?--

>> You start there.

>> but talk about them, talk about others Europe, others that are in this game.

>> Well, the UK, France, Germany, Italy, Switzerland, Hungary. We are very active with the Hungary export credit agency in, basically over the last 10 years you could kinda see this coming, it's not a, I don't have to tell anybody in this room it's not a new issue, and so we started building out our capabilities in the 2010 timeframe when we saw what was happening after the post global financial crisis and we made and developed those connections with the Canadians, all the other ones I've mentioned and figured out what it was gonna take to have a relationship with them and satisfy their requirements in a way that would allow us to have more financing options for infrastructure projects around the world. So they're all planning and there's probably a hundred countries that have some form of export credit financing. The Saudi's, where I was two weeks ago are standing up an export credit bank this year. We talked to them about it two years ago and then in the last two years they've developed the capability and they're launching this year.

>> Interesting. And so, on China so this is a story that started before Belton Road presumably, the Belton Road Initiative China says it's gonna spend a trillion, something, see numbers of four, eight trillion, some of them probably fanciable numbers, but, you know, big numbers. China is spending a lot of money in this area. Has that changed the game or is this just the consistent part of what China's been doing and it's now packaged in a different way?

>> I think it's the latter, I mean, I think that it's always been a relevant part of what Chinese does to try to influence outcomes and in their favor, just like the US tries to do things to influence outcomes in it's favor. So, it's not unnatural act but they've amped it up, no question and this Asian infrastructure investment bank that was started, I think four or five years ago, I really don't understand why the US opted not to participate when just about every other major country is, you know, they're providing some financing in this so there's several different Vehicles that China is either directly responsible for or leading.

>> Right, and GE has been involved in you know, named Belton Road

projects, like in Pakistan, I think you had a couple of power deals there over the last couple of years.

>> Yeah

>> Am I right about that? And so you've been, so you see this as an opportunity and you feel the American companies have, good opportunities there or is there a--

>> No, absolutely.

>> Scales to the Chinese or--?

>> You know, you have to get over the fact that you can't ... You know that having maybe 60% of something is better than having 100% of nothing. And so you have Chinese EPCs which are relevant around the world. There are hundreds of them and we try to pick the best and develop a relationship. We have partners in China that can do certain things but if you take the Pakistan, that gas turbine and the capabilities that go with that came from Europe and the United States. And they were married with capabilities that came out of China. So it was substantial business for us, a good win for our Chinese partners and facilitated by Chinese financing.

>> Even if we had an EXIM that was fully up and running, it's not gonna be competing just on the numbers, I mean, numbers like a trillion or you look at the balance sheet of the China development bank or China export/import bank, I mean, we're never gonna be in that on that scale. Why is it so important to have our own functioning EXIM?

>> It gives you flexibility, so, it's not the size, I mean the, I think the biggest year on record for EXIM was 20 billion or something like that and I shouldn't even use a number like that in this audience because there's probably 100 people out there that know the actual number but it's something like that but when you look around the world in Germany and France, you know, they're two or three times that in terms of what they're willing to fund but I think Matt, to your point, it's not the absolute dollar value. It's having the ability to go in early on in the bidding process and say I've got and we can build this gas turbine in Greenville, South Carolina and I've got LOI from EXIM that says they'll participate in the project if we want them to, right? That's what's helpful. Early on, so that you don't have to scramble around and piece this together later on and risk that the customer says well, you know, it's gonna be, just be too hard for you, I think I'm gonna go to Siemens or MHI.

>> And so you can see it when your customers, you're dealing with them, that even if it's not Chinese scale money, it's there at the beginning as part of the package you're offering in.

>> Yeah

>> And it makes a big difference

>> And it allows you to be faster, more agile, more flexible and in the end it's gotta be a deal that makes sense with respect to the EXIM governance and approval processes and it's gotta be a deal that makes sense to the customer but having that option gives you a lot of flexibility.

>> Are you, do you sense that this year might be a turning point for EXIM? I mean, it feels there's been some favorable direction including yesterday, we heard some positive things that were helpful from The White House. Do you feel like this could be the year that this turns around?

>> Well I've always, you know, I'm not I defer to all of you in terms of making sense outta what happens in this town. But I was encouraged by what I heard yesterday and it to me, this kinda stuff always, you look for a tipping point. Not just here, but in countries around the world when you try to figure out if now is the time for a change that's either gonna hurt you or help you. And I think what we heard yesterday suggests that this might be the time. I mean, I was saying earlier this morning to some people that if you think about, I can't think about another issue like this. That's been supported by the the current administration, the last two administrations and the people at the top, President Obama, President Trump, the majority of congress that over that time period has been both Republican controlled and Democratic controlled depending on the house. And we haven't been able to get it done. Like, what other issue that's out there has... where has that happened before, right?

>> Matthew: Yeah.

>> So, maybemaybe, this is the tipping point.

>> Matthew: Yeah well, there are a few, sorry my boss John Hamry, our CEO is saying he's seen compromise starting to rise or coming together on issues like this that are not inherently pro-partisan and so let's hope. Shameless Advertising Department, which we'll get to a question. But you mentioned we're doing work at CSAS on infrastructure and we've got a project called Reconnecting Asia and if you go to our sight, you'll see a map and some data based projects. We don't have LNG projects on there yet--

>> Come on!

>> But, we're about to add them

>> Yeah, we're adding them soon! But as an off shoot of that, we've got a task force shared by former USTR Charlene Barshefsky and former national security advisor, Steve Hadley. And we're about to issue a report next month with recommendations of how the U.S. can play in this game and one of them will be, have a functioning export credit agency. But, we've got some other things in there that I wonder if you could speak to kinda what else does the U.S. need to be doing. We got great companies with great products and services, there's this financing piece. What else can the U.S. government, we are in Washington, what else should the U.S. be doing to support our participation in this global infrastructure story?

>> Work force, retraining, and up scaling. So I think, and these numbers are a few years old but if you look at how much is spent in the United States compared to the average for the OECD countries, it's off by a factor of 5. And I think companies have an obligation and the government has an obligation. I mean this world is changing fast and we need to make sure that we're preparing the work force for what comes next. And we simply collectively don't spend enough on worker training and up scaling. We've made it a priority within GE we always have, but we need to make sure that what we do is married in the right ways with what the government does so that we create a synergistic approach. I mean, apprenticeship programs, the kind of stuff that has made Germany, which is one of the higher cost places to manufacture in the world so successful. And, not everybody's cut out for a 4 year. Do we take these young people, teach them what a real manufacturing environment is like and do it when they're 15 or 16, start when they're 15 or 16, right?

>> So.

>> Yeah. And you point to an important point that if we're gonna succeed in the world we need to start at home and we need to get those skills right. We need to invest in infrastructure ourselves.

>> I think this is more important than short term tariff and trade stuff. I mean I really do, I think if you wanna play the long game, short term yeah, you can do things with tariff's and trade, taxes and stuff like that. But if you wanna win the long game, you need to make sure you have the work force that can handle anything that's coming and we know it's gonna be more digital, we know you're gonna have to be more agile, you're gonna have to have the lead times are gonna come down for the kind of stuff that we do. We all order stuff online and expect it to be at our homes when we get home tonight. Well, we're not quite that fast when we build gas turbines or jet engines but the expectation is that it's gonna get faster and faster and faster.

>> You and GE has always been committed to this, not only for your own work force and for American workers but, you also, it's an important part of your offering when you go into these markets abroad and you

help bring people back, train them and how to build or maintain a turbine and that's still an important part of what GE does and what America brings to the table.

>> It is and you know, Matt, that's a great point because this local content is, all local content is not created equal and we've always argued that the value of a GE job is worth more than the value of somebody else's job because it comes with adherence to the rules and compliance and transparency and if we're gonna build a gas turbine somewhere we also help develop the supply base cause you can open up a manufacturing plant anywhere but you gotta staff it and your suppliers have to be good. So you end up with an ecosystem to support one facility that's much bigger than the absolute number of jobs that you've created in that facility.

>> Right, now this is the good. You're validating my sort of talking points when I talk about this global infrastructure story and people are skeptical because they think, how does the U.S. really have an ability to play and compete and it's a combination of all these things that we bring to the table including those rule of law points and sort of the our approach to doing this business right. It gives us an advantage.

>> John: Well, and--

>> If we have the other things, the financing and the--

>> And if you want people who are kind of living to the right standard in terms of child labor and safety and the things that we expect when we have operations in the United States and you wanna see them in every country around the world, you don't get those by setting a bar up here and then saying, okay, when you can clear that bar, we will come in and do business with you.

>> You get them when you have U.S. companies and we're not the only people that do it but U.S. companies that go in and help but establish those standards and teach and train and say look, if you keep working at this, you will be able to clear the bar and we'll help you do it.

>> Right, great. I assumed you can reassure us that GE has had, some challenges in the last couple of years but the ship has turned and should we all feel good that V is still gonna be there doing this, all these great things; providing great products, services, all of these other capacity issues that we're all counting on. Is that, you're optimistic I hope about GE's future.

>> I didn't come back from for any other reason.

>> Right.

>> Right? So, we lost some of our operating disciplines and one of our biggest businesses and the good news from my perspective is that everything I've seen is fixable and Larry Cope, our new chairman and CEO is absolutely focused on the right steps to get us grounded and moving forward and I'm happy to be part of it.

>> Great. Well, I think all Americans want you to succeed whether we're share holders or not, it's important in this broader story of our role in the world. As is a functioning EXIM and I'm glad that everybody is here and assume sort of believes that we gotta have a full tool kit when we go out in the world. With the great companies and the support they need, so.

>> And I would just say one, I'd say look, I have been, a lot of what I've said today, is some of you have heard me say over the last five or six years. So I'm not, I don't have a new speech on this but I'm open to any thoughts that any of you have in terms of how we tailored the, if this is a tipping point that you know, this is the chamber, the manufacturing groups, the messages. How do we tailor this message to get it to the right people in the right way right now? If this is gonna be the tipping point that gets us passed I can tell you from a GE perspective, we're open to the message, who should deliver it, how it can be delivered, so that we get this done this time.

>> Well great, I feel better. So, terrific insides delivered in a way that's very clear and accessible and really appreciate that. Please thank me in thanking John Rice for his time today.

>> Thanks a lot.

>> Thank you. All right, terrific. Thank you.

>> Thanks.

>> That was great.