LOSING EX-IM BANK WOULD BE BAD FOR EVERYBODY

Statement before the Subcommittee on Terrorism, Non-Proliferation and Trade of the House Foreign Affairs Committee

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I have been asked to assess the consequences of failing to reauthorize the Export-Import Bank, which has been a significant contributor to U.S. trade competitiveness for 80 years.

The bank's authority to extend new credit only lapsed four months ago, so it's a bit early to be describing the fallout.

My statement will therefore focus on consequences that can be confidently predicted in the years ahead if no reauthorization occurs and the bank has to unwind its programs.

Near as I can tell, there will be no gains to the nation if Ex-Im goes away...

-- Taxpayers won't save any money, because Ex-Im already pays for itself.

-- The government won't get smaller, because other steps will need to be taken to level the playing field for U.S. exports.

-- And the economy won't become more competitive, because it will operate at a disadvantage with countries still providing export credit.

So the consequences of shutting down the Export-Import Bank are negative for pretty much everybody -- except maybe our trade rivals.

I will therefore devote the balance of my remarks to what America will lose if Ex-Im permanently ceases operations.

First, we will lose America's sole export credit agency.

Every major trading nation has a government agency dedicated to mitigating risk and facilitating financing of foreign trade.

America would be the only big industrial country without such an agency, leaving its exporters dependent on private lenders who have already stated they will not fill the vacuum created by Ex-Im's demise.

Second, we will lose global market share in key industries.

Many overseas buyers require government guarantees as a condition of bidding, which U.S. exporters could no longer secure.

Even if such guarantees were not required, foreign customers would find it easier to obtain financing on favorable terms from countries with export credit agencies, so that is where they would go for their jetliners, earth movers and locomotives.

Third, we will lose more ground in the U.S. trade balance at a time when America's non-petroleum trade deficit is already the worst on record.

The tidal wave of foreign goods reaching these shores has reduced our growth rate by a full percentage point in recent quarters, and allowing Ex-Im to die would make that problem worse.

Fourth, we will lose tens of thousands of jobs as companies like Boeing and GE see overseas sales decline, and hundreds of smaller companies are forced to abandon exporting entirely.

Initially, the job losses would come within the companies and among their suppliers, but additional job losses would occur indirectly as money once spent by export workers was no longer available to pay grocers, teachers, and other providers in their communities.

Fifth, we will lose even more of America's domestic manufacturing base, which once was said to be the arsenal of democracy but now has shrunk to a mere 12% of the economy.

It isn't feasible anymore for big manufacturers to achieve economies of scale without having sizable overseas sales, so when financing for foreign trade is impaired, the whole enterprise suffers.

Sixth, we will lose the most important ally of U.S. commercial banks and other private lenders in assuming the risk of financing foreign trade.

Almost all of Ex-Im's transactions -- about 98% -- involve commercial financial institutions that in many cases could not participate without Ex-Im loans, guarantees or insurance.

Seventh, we will lose the level playing field that Ex-Im provides for U.S. exporters when it steps in to counter the predatory financing of state-supported foreign competitors.

China has become especially active in assisting its exporters to undercut U.S. sales in third markets by extending financing on concessionary terms, and Ex-Im works constantly to counter such unfair practices.

Eighth, we will lose the main point of leverage that America has in deterring other countries from pursuing unfair practices in their own export financing.

Because foreign companies and credit agencies know that Ex-Im might step in to counter predatory trading practices, they are less likely to engage in market-distorting activity.

The Financial Times, Britain's most respected newspaper, opined last year that "it would be odd were the U.S. to disarm unilaterally" by abandoning one of the few tools it possesses for disciplining the behavior of trading partners.

Ninth, we will lose one of the very few agencies in Washington that is a bargain -- an agency that doesn't cost taxpayers a cent and in fact sends hundreds of millions of dollars to the Treasury every year, while sustaining thousands of jobs in the export sector.

Washington is full of agencies that waste money on dubious missions and outdated practices, but the Export-Import Bank isn't one of them.

Finally, if Ex-Im goes down, there is one other thing that we will lose -- a political discourse based on rational analysis rather than mindless ideology.

The arguments for killing Ex-Im are illogical and fact-free, whereas the case for keeping it is empirically and analytically overwhelming.

There's nothing wrong with espousing the principle of limited government, but in the case of the Export-Import Bank, we should listen to Winston Churchill, arguably the greatest Western leader of the last century, who observed...

The duty of governments is to be first of all practical... I would not sacrifice my own generation to a principle.