



U.S. Export-Import Bank Reauthorization

National DEC Webinar

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Who is the U.S. Export-Import Bank?

- The U.S. Export-Import Bank is the official export credit agency of the United States.
- The Bank assists in financing U.S. exports from thousands of American companies and bolsters our global competitiveness.
- Nearly 90 percent of the Bank's transactions directly support U.S. small business
- The Bank operates at no cost to the taxpayer, and it has a track record of generating a profit for the government--in 2014 the Bank sent \$1 billion to the U.S. Treasury



Legislative Issue

- The Bank's current charter will automatically expire on September 30, 2014, unless Congress enacts legislation to reauthorize the Bank
- The opponents of reauthorization do not have to do anything to terminate the Bank's existence
- The proponents of reauthorization must get legislation introduced and enacted to keep the Bank in existence



Legislative Prospects

- The key to reauthorization is the U.S. House of Representatives as the Bank has stronger support in the U.S. Senate
- The key House Committee is the Banking, Housing & Urban Affairs Committee
- The Financial Services Subcommittee of the House Banking, Housing & Urban Affairs Committee has jurisdiction over the Bank



Legislative Prospects

- The Financial Services Subcommittee Chairman, Congressman Jeb Hensarling, is adamantly opposed to the Bank's reauthorization
- Since Congressman Hensarling almost for certain will not allow a reauthorization bill to come out of his Subcommittee, an alternative method will have to be employed by House proponents of the Bank's reauthorization



Export-Import Bank Termination Act

- HR 2263
- Sponsor- Justin Amash, R-MI
- Cosponsors- Michael C. Burgess, R-TX 26, Thomas Massie, R-KY 02, Tom McClintock R-CA 04
- Abolishes the Bank three years after enactment of the Act



Bank Termination Arguments

- Argument-“Export subsidies provide advantages to specific industries or businesses at the expense of their domestic competition, other sectors of the United States economy, and the public at large.”
- Reality-False. The Bank does not target specific industries or businesses. Any creditworthy U.S. exporter may apply provided that they meet Bank requirements. The public benefits as exporters that receive Bank financing provide jobs and which otherwise would not exist.



Bank Termination Arguments

- Argument-“Banks and other financial institutions that provide trade facilitation credit also profit from export subsidies such as loan guarantees and trade insurance.”
- Reality-False. These financial institutions would not provide working capital loans or credit insurance *but for* the Bank. It is not as though they are getting extra profits through so-called subsidies.



Bank Termination Arguments

- Argument-“International trade finance is well developed and supplied by the private sector at competitive rates that reflect market ”.
- Reality-False. This argument is demonstrably false as the private sector will not provide working capital loans and export credit insurance for exporters of the kind provided as a result of the Bank’s guarantees unless those guarantees are in place.



Bank Termination Arguments

- Argument-“Export subsidies impose risks on United States taxpayers”.
- Reality-False. The risk to the U.S. taxpayer is virtually nill as the Bank returns a profit to the U.S. Treasury and has an extremely low default rate. Further, taxpayers never have had to pony up a single dime to cover any defaults.



Bank Termination Arguments

- Argument-“Recent years have revealed other ‘safe’ Federal credit programs to have large taxpayer costs, for example, Freddie Mac, Fannie Mae, and the Federal Housing Administration”.
- Reality-False. This argument is absurd on its face. Those institutions regularly make loans to unqualified and non-creditworthy borrowers. Exporters applying for working capital loans or credit insurance face stringent requirements and have to have an actual business and marketable products in place before they can qualify.



Bank Termination Arguments

- Argument-“The Export-Import Bank of the United States claims to serve small businesses primarily, but most of its financing subsidizes exports of large multinational corporations”.
- Reality-False. This argument is true only as to volume. However, the number of transactions is a fairer and more relevant estimate of the customers the Bank serves, which is overwhelmingly small businesses. Further, small business suppliers also benefit from exports of large multinationals.



Bank Termination Arguments

- Argument-The Export-Import Bank engages in corporate welfare
- Reality-False. This argument is bogus. Welfare by definition involves transfer payments of money for no return and are generally provided to individuals who do very little or nothing to advance the U.S. economy. The Bank, on the other hand does not provide transfer payments, its customers are productively contributing to the U.S. economy, and perhaps most importantly, its customers must pay back loans or pay a fee for credit insurance.



Bank Termination Arguments

- Argument-The Export-Import Bank engages in corporate cronyism.
- Reality-False. This argument is ludicrous. Corporate cronyism is when corporations receive special favors or government subsidies for political reasons. The Bank is inherently non-political and political calculations are non-existent in its activities.



Bank Termination Arguments

- Argument-The Export-Import Bank picks winners and losers.
- Reality-False. This argument is also ludicrous and shows a complete ignorance of how the Bank operates. The Bank does not actually lend any money to U.S. exporters, rather it works with qualified financial institutions who make those decisions. The only restrictions are U.S. content requirements and a ban on financing military sales. Other than that, any U.S. exporter is eligible to apply for the Bank's trade finance programs, *regardless* of industry.



Bank Termination Arguments

- Argument-The Export-Import Bank is not constitutional.
- Reality-False. The Foreign Commerce Clause of the U.S. Constitution grants from the States to the federal government the exclusive power to regulate foreign commerce. This power to regulate includes not only the power to restrict or prohibit but also the power to promote. This general principle is illustrated in the patent clause of the Constitution where the stated reason for the grant to the federal government to regulate the issuance of patents is in order to “promote” inventions and discoveries. Thus, under the Foreign Commerce Clause, the federal government has the power to promote foreign commerce, which the Bank in fact does.



Actions by DEC Members

- Determine where your Congressman stands on reauthorization. If uncertain, determine how they voted last time (if in Congress then).
- If yes, then encourage them to vote yes again and also to reach out to other members of their state's congressional delegation for support.
- If uncertain or no, then find out why and counter their arguments with examples from rebuttals in this slide deck and other documents. Further and very importantly, provide them with success stories of exporters using the Bank's programs, particularly from their congressional district.



Actions by DEC Members

- Provide your own success story of your company's use of Bank programs by going to the Bank's web site and submitting your success story
- Review the success stories on the Bank's web site and refer to them in your outreach
- Have your entire DEC, with all your DEC member's signatures, send an outreach email to all of the members of your state's congressional delegation in support of the Bank's reauthorization



National DEC Actions

- Sample Bank outreach email letter for both DEC members and DECs to use
- U.S. Export-Import Bank documents on districtexportcouncil.org/materials
- Information on Congressional voting during last Bank authorization