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## CLAD, WAHID: BY DEFUNDING EX-IM BANK, U.S. IS SHOOTING SELF IN FOOT

BY JAMES CLAD AND RON WAHID

Standing blindly on principle all too often leads to bad or self-inflicted injury, especially if the “principle” itself remains hazy. Moves in Congress to defund the U.S. Export-Import Bank closely fit this description as corporate anxiety pushes General Electric and others to shift manufacturing capacity out of the country.

Having worked for decades in foreign marketplaces, we find the Ex-Im controversy baffling and the rationale for ending its operations amazingly short-sighted and illogical. How could vague bad vibes about “corporate welfare” morph into a serious move to defund this helpful, innocuous agency? And how can the inevitable result – depriving U.S. exporters of competitiveness-enhancing, risk-mitigating help – escape congressional comprehension?

By any reading, arguments for defunding the Ex-Im Bank fail the reality test. Far from being an unwarranted “subsidy,” public export financing long ago became an ordinary part of

world business. The bank has been in business for over eight decades. But foreign competitors, not least the Chinese, over time have fashioned markets rigged against American goods and services. Terminating the bank simply hands them another, free advantage.

Opponents of the Ex-Im Bank claim outrage at fat-cat feeding by big exporting corporations at the public trough – an assertion ignoring smaller U.S. firms or subcontractors that also depend on the international sales the Ex-Im Bank supports. Congressional ideologues also ignore a net positive revenue impact from Bank operations – over \$1 billion into the U.S. Treasury last year.

One can only hope that good, pro-business sense will prevail. Congress will soon vote to renew the Bank’s charter, together with some reform measures now in a draft bill. Heading off the foolishness has become urgent; retiring House Speaker John Boehner tepidly supported the Bank but potential successors may have

drunk too deeply from the Kool-Aid. We hope they’re just pretending, but by today’s reckoning they still seem intent on deep-sixing the 81-year-old bank – and the real world of foreign trade business be damned.

Scores of competitor countries have export credit agencies doing exactly what the Ex-Im Bank does. The bank’s nay-sayers posit an illusory world, one where only private banks should issue gigantic loan guarantees – not “the government.” In contemporary world marketplace rules, companies big or small usually cannot bid without a government guarantee of the type the Ex-Im Bank provides.

Today’s global marketplace rests on gigantic economies of scale with a take-no-prisoners credo of market seizure. In this fiercely competitive arena, many big American exporting companies have become single-source providers. That is to say, they go toe-to-toe internationally not with other U.S. companies, but with Chinese or other rivals. We’re reminded

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of news reports back in May that described a Texas-based crop-dusting aircraft facing the loss of a quarter of its business without Ex-Im Bank guarantees. What does the pro-business political party have to say about that?

Purists on and off Capitol Hill prefer to fuss theoretically, spewing all-or-nothing bombast about “keeping the public sector out of private initiative’s proper preserve.” Inconveniently for this argument, the Ex-Im Bank – normally a circumspect U.S. agency – actually supplements the private banking realm. In many deals, the bank’s involvement stiffens resolve among risk-averse private trade financiers. It doesn’t scare them away.

Against this demonstrable interest of U.S. exporters, anti-bank commentary prefers purist dogma, indifferent to the cut-throat world of international bidding. It reminds us of the old French expression, *trahison des clercs* – “treachery of the intellectuals.”

In this as in so much else on the Hill, it’s time to pass a Real World Reality Test. Congress should renew the Export-Import Bank, and do it soon. The words “Business Hates Uncertainty” shouldn’t be a new maxim to those ostensibly “pro-business” voices calling down perdition on the

Ex-Im Bank. Yet just their threats to roll up the agency, quite apart from doing it, have done real damage to U.S. trade. It’s time to end this nonsense.

Clad was a senior counselor at the Overseas Private Investment Corp. during the George W. Bush administration, and later U.S. deputy assistant secretary of defense for Asia. Wahid is chairman of Arcanum Global, a strategic intelligence company, with offices in Washington D.C., New York, London, Paris, Zurich and Hong Kong.