WHO NEEDS
AN EXIMBANK?

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June 1995

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EXECUTIVE SUMMARY

Despite being the world's leading exporter, the U.S. spends over 3 billion tax dollars annually on export promotion activities. The most egregious member of federal government's confederacy of dunces is easily the Export-Import Bank of the United States, the Eximbank.

With a nearly $900 million budget, the Eximbank provides several means of export finance:

- *subsidized loans* to foreign purchasers of U.S. products;
- *loan guarantees* to support loans made by private sector banks to foreign purchasers of U.S. products;
- *loans and guarantees of working capital* for U.S. producers seeking to enter export markets;
- *subsidized project finance*, loans or guarantees by banks to finance foreign infrastructure projects in developing countries.

Despite these programs, the vast majority of U.S. exporters owe none of their success to Eximbank finance. Small businesses typically shun Eximbank programs due to the delays in processing the indeterminable red tape.

Some industries do benefit from the Eximbank's programs, most notably the aviation industry. In fact, the Eximbank's critics often refer to it as "Boeing's Bank." The Eximbank is corporate welfare with a fancy name. If foreign government purchasers of U.S.-made aircraft are creditworthy, private sector banks ought to finance the transactions. A country with two-thirds of the world's market share cannot be suffering from market failure.

The Eximbank is a component of the Clinton administration's National Export Strategy (NES), an aggressive foray into industrial policy and central planning. It empowers the federal government to target and develop:

- *Big Emerging Markets* — Mexico, Argentina, Poland, Brazil, China, Indonesia, India, South Africa, South Korea and Turkey;

- *Big Emerging Sectors* — aerospace, telecommunications, information technologies, environmental technology, medical equipment and infrastructure industries.

Under a new “green” agenda, special consideration must be given to ecologically-friendly exports — demonstrating that the Eximbank is driven by political pressures and not sound lending practices.

In the final analysis, Eximbank financing does not determine success in the global marketplace. Created in 1934 to facilitate trade with the Soviet Union, the Eximbank is a government agency masquerading as a market-based financial institution. Sixty years later, the Eximbank should follow the lead of its first customers, and go out of business.

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With approximately $700 billion in annual exports, the United States is the world's leading exporter.[1] Despite this success, over $3 billion is spent annually on export promotion activities by the federal government. Sixty percent of these expenditures subsidize agricultural exports, although agriculture represents only 10 percent of U.S. exports.[2] The Department of Commerce also employs thousands of workers and spends approximately $230 million annually world wide to promote U. S. exports. In April 1995, the Department of State joined in the export promotion arena, creating an office of Business Affairs as a "service center" for corporations.[3] No matter how bad these programs are, the most egregious member of this confederacy of dunces is easily the Export-Import Bank of the United States, the Eximbank.

Over $3 billion are spent annually on export promotion activities by the federal government.

The Eximbank is an independent agency that provides export finance to U.S. exporters. With its nearly $900 million budget, the Eximbank offers subsidized loans to foreign purchasers of U.S. products. The Eximbank also provides loan guarantees to support loans made by private sector banks to foreign purchasers of U.S. products. The agency grants loans and guarantees of working capital for U.S. producers seeking to enter export markets. These working capital loans or guarantees provide capital to exporters for the purchase of equipment, or building of facilities before entering export markets.

Under the guarantee programs an exporter or foreign buyer borrows from a commercial bank. The risk of repayment of this loan is guaranteed by the Eximbank (like a guaranteed student loan). By issuing loan guarantees, the Eximbank can support more exports than it could by simply making direct loans. If the Eximbank were to use only direct loans, its financing would be limited to the amount of its appropriation. The Eximbank has leveraged the amount of subsidized exports to $20 billion in 1995. In 1993, loan guarantees accounted for 60 percent of the Eximbank's $15 billion volume limit. Some 59 percent or $8.9 billion were loan guarantees to foreign buyers of U. S. goods. The Eximbank also made direct loans of $1.75 billion to buyers of U. S. exports in 1993.

The Eximbank is an independent agency that provides export finance to U.S. exporters.

The Eximbank is also aggressively engaged in subsidizing project finance. In these programs, the Eximbank makes or guarantees loans by banks to finance foreign infrastructure projects such as powerplants in developing countries. The project being financed is developed by a U.S. company. Repayment of the debt is supposed to come from the cash flow of the project developed. The Eximbank asserts that lenders would be unwilling to finance such projects unless there are guarantees. The risk of sovereign guarantees from developing states is then placed squarely on the backs of U.S. taxpayers. Eximbank Chairman Kenneth Brody states "We will aggressively pursue every good infrastructure project." According to Brody, "there is no limit to the number of big projects this group will be able to do." [4] Brody boasts further that the Bank has "virtually an unlimited amount of money" for supporting project finance projects in China. [5]

Most U.S. exporters owe none of their success to Eximbank finance.

Eximbank programs are subject to certain restrictions. First, the buyer must be creditworthy.[6] Additionally, Eximbank must not compete with private sector financing.[7]

IS THE EXIMBANK ESSENTIAL?

Bank supporters maintain that Eximbank is an essential component in U.S. export successes. According to Chairman Brody, "if America can't finance its exports, workers can't benefit with new opportunities and better paying jobs."[8]

Contrary to Chairman Brody's theory, most U.S. exporters owe none of their success to Eximbank finance. An analysis of the largest U.S. exporters reveals most do not rely on Eximbank finance. Export giants such as Monsanto, IBM, Dupont, Dow, and Phillip Morris do not receive Eximbank financing. In sectors such as office computers, Intel, Sun Microsystems, Xerox, Hewlett Packard, Unisys and Compaq receive little or no Eximbank finance. Other fast growing export sectors doing well without Eximbank finance include electronics and medical supplies. Producers of copyrighted material, a leading export sector, have achieved similar export success without Eximbank finance.

LEADING U. S. SERVICES-EXPORTS — 1992
($billions)

Sector	Amount
Tourism	$53.861
Transportation	$40.126
Financial Services	$10.126
Education and Training	$ 6.477
Telecommunications	$ 3.306
Entertainment	$ 2.621
Information Services	$ 2.621
Healthcare	$ .741

Source: U.S. Department of Commerce, *Business America*, Oct. 1994.

The service sector, including financial services, travel, entertainment, healthcare, education and transportation is also thriving. Exports in these industries have risen from $86 billion in 1987 to $173 billion in 1993.[9] Eximbank finance plays little or no role in their success. Exports of non-subsidized financial services totaled $5.4 billion in 1992, compared with subsidized exports of wheat of $4.6 billion. Similarly exports of educational services outweighed exports of corn $6.1 billion to $5.7 billion. Information services and legal services dwarfed exports of vegetable oils $2.6 and $1.4 billion compared to $1.0 billion in 1992.

The export sectors that have been growing the fastest are not heavy utilizers of Eximbank finance.

Simply put, the export sectors that have been growing the fastest are not heavy utilizers of Eximbank finance. During the period 1991 to 1994, semiconductor exports rose 32 percent. Medical equipment exports grew an average of 14 percent annually over the past five years.[10] Eximbank activity in these industries has been negligible. The Department of Commerce reports that exports by the computer industry are expected to grow by 8 percent in 1995. In the computer software industry, U.S. firms presently enjoy a 75 percent global market share, in a rising market.[11] Eximbank finance in these industries is practically nonexistent. Similarly, Eximbank cannot claim credit for the 11 percent annual growth rate of U.S. auto exports of the past five years.

THE EXIMBANK AND SMALL BUSINESS

Over 99 percent of U.S. firms may be classified as small businesses.[12] According to the consulting firm DRI/McGraw-Hill, small businesses may account for 50.8 percent of U.S. exports of manufactured goods. A similar study by Arthur Andersen & Co. and National Small Business United reveals that 20 percent of firms with fewer than 500 employees exported services or products in 1994.[13] According to Dr. Jennifer Bremer, Director for the Center for Emerging Markets at the University of North Carolina, three percent of U.S. exports receive Eximbank finance. Only 20 percent of this finance goes to small businesses.[14]

Small businesses typically shun Eximbank programs due to the delays and indeterminable red tape.

Small businesses typically shun Eximbank programs due to the delays and indeterminable red tape that invariably accompany government programs. For example, Thomas Parks, Chairman of Quickway Industries, sought an Eximbank working capital guarantee. As part of the application, the Eximbank requested three years worth of audited financial statements from the company's six largest foreign customers. All but one foreign customer refused, noting "it's just too complicated dealing with you guys."[15]

Other U.S. companies simply decide to go it alone, relying on their own efforts. A typical example is Snider General Corp. of Dallas. The firm boasting $750 million in sales relies on exports for 45 percent of its sales, all without Eximbank finance. CEO Richard W. Snider wonders "I'm not sure what the government is going to do now that it is going to help us."[16]

Robert Brown, President of Universal Exports, a St. Louis-based trade consulting firm, considers Eximbank finance to be "cost prohibitive" for smaller companies. "By the time a small business finishes all of the Eximbank paperwork and figures out what to do, the foreign buyer has gone elsewhere."[17]

LIVING WITHOUT THE EXIMBANK

Despite all of the Eximbank's programs, clearly some $600 billion of exports manage without Eximbank assistance. One reason is the growth of large regional banks. Unlike smaller, local banks, regional banks are often well-versed in financing international transactions and are more willing to take some of the risk.

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Perhaps a classic Eximbank-free, success story is Multiplex Co. of Ballwin, Mo. This manufacturer of soft drink dispensers for McDonalds and Burger King was purchased for $50,000 in 1970 and is now worth over $24 million. The company just posted its best first quarter ever with some 40 percent of the company's sales from exports to Europe, the Pacific Rim and Latin America.[18] Despite its dependency on global sales, not one dollar of Multiplex's success may be attributed to Eximbank financing.

In other instances, the U.S. exporter is able to get the foreign buyer to pay for the goods upfront via a letter of credit. In those cases where the foreign buyer is paying over a period, the U.S. exporter can simply sell the account receivable to a factoring house as is common in the U.S. In other cases, the international debt may be sold to a forfaiting firm. Forfaiting is a technique of international trade finance. Forfaiters purchase bank guaranteed debt from exporters. This "forfait paper" may be sold to other forfaiting firms or to investors in a secondary market. Either way, the private sector absorbs the commercial risk.

Another reason few exporters use the Eximbank is the lack of visibility of the institution. The Eximbank is considered by some international trade professionals as very much a Washington-insiders' Bank. Shortly after Eximbank Chairman Brody was confirmed, he attempted to dial the agency like a potential exporter would. Much to his dismay, telephone information operators bounced him between the Department of Treasury and non-working numbers. When complaining of this low profile to senior Eximbank officials, the new Chairman was counseled not to worry: "After all, those who need us know how to get a hold of us, and the rest would just be wasting our time."[19]

Another problem for exporters using Eximbank finance is the problem of establishing domestic content. To qualify for Eximbank finance, the exported goods must contain U.S. domestic content of at least 50 percent.[20] If the goods have a foreign content of between 15-50 percent, only the U.S. domestic content portion is eligible for Eximbank finance. For example, a personal computer may have components from all over the world. Exporters are unwilling to engineer their construction of their PCs, and shift subcontractors simply to satisfy the Eximbank. Additionally, there is the problem of calculating domestic content. Exporters must certify the domestic content on all Eximbank transactions. False certifications can subject an exporter to criminal prosecution. The increased paperwork, accounting problems and possibility of criminal sanctions deter many companies that Eximbank purports to serve.

The industry most dependent on Eximbank financing is the commercial aviation industry.

DISTRIBUTING EXIMBUCKS

If most large and small exporters are not Eximbank recipients, we must ask who get the Eximbucks? The industry most dependent on Eximbank financing is the commercial aviation industry. In 1993, long term loan guarantees for aviation comprised 23 percent of the Eximbank's entire 1993 budget. Some 56 percent of all 1993 long-term loan guarantees by the Eximbank were aviation related (see table).[21]

Foreign purchasers of Boeing received $2.9 billion or 19 percent of Eximbank's entire 1993 budget.[22] McDonnell Douglas customers received $635 million in loan guarantees or 4 percent of the Eximbank's budget.[23] Until recently Boeing sales were receiving lower cost financing than that provided by European rivals. Support of this magnitude has led critics of Eximbank to derisively refer to it as "Boeing's Bank." The only other aircraft transaction supported by Eximbank in 1993 was the sale of one used Gulfstream to Mexico.[24]

LEADING INDUSTRIAL SECTORS FOR EXIMBANK COMMITTMENTS
($millions; as of September 30, 1994)

Sector	Amount
Air Transport	$10,081.9
Oil & Gas Extraction	$ 3,612.0
Power Generation	$ 3,177.6
Search & Navigation Equipment	$ 1,416.9

Source: United States Export Import Bank, *Annual Report*, 1994.

The Clinton administration claims that "globalization of aircraft manufacturing necessitates an active role by the U.S. government in facilitating international cooperation."[25] The Eximbank itself recognizes the close relationship between the aircraft industry and the bank. Chairman Brody projects fiscal year 1994 aircraft support will increase 20 percent to $4.2 billion over fiscal year 1993.[26] Additionally, no dollar volume limit will be set for aircraft finance. In April 1994, a new Eximbank Aircraft Finance Division was formed to support this expansion.[27]

The global aircraft market consists of three main producers. The U.S. firms are Boeing, which has a 60 percent worldwide market share, and McDonnell Douglas, with a global market share of slightly under 5 percent. The European consortium Airbus Industrie has a market global share of 35 percent; Boeing and Airbus each report large backlogs. One must ask what would be Boeing's competitive position if Eximbank financing were no longer in place. Some 78 percent of aviation-related Eximbank deals involved foreign governments as purchasers. If these foreign governments are indeed creditworthy, a requirement for Eximbank financing, would not private sector banks still be willing to finance the transactions? Furthermore, is a country with two-thirds of the world's market share suffering from market failure?

The Eximbank is engaged in a not too subtle wealth transfer.

Another question is whether European government support for Airbus is sufficient justification for Eximbank's subsidization of Boeing and McDonnell Douglas. With current backlogs, even if export subsidies were the only reason for a buyer choosing a particular aircraft, Airbus could not fill global demand. Substantial barriers to entry exist in this industry effectively limiting it to these three players. Eximbank financing cannot be the only thing that makes the two U.S. firms succeed in the global marketplace.

THE EXIMBANK'S CORPORATE WELFARE

The Eximbank is engaged in a not too subtle wealth transfer. Tax monies funding the Eximbank are transferred from the pockets of taxpayers to a combination of wealthy domestic and foreign corporations. Thus, the Eximbank is corporate welfare with a fancy name. Domestic companies using Eximbank finance can capture some of the subsidy by raising their prices to the foreign buyer. Even worse, the Eximbank will finance cost overruns. Here, a foreign buyer finds that overruns have increased the financing costs in a transaction the importer has already committed to. In these instances the Eximbank cannot arguably be said to create additional exports. Instead, the Eximbank simply absorbs the additional costs of the exporter's financing due to the overrun. The Eximbank will also support the sale of used equipment. Even using the strained logic of the Eximbank, it is difficult to see how jobs are created by the sale of used goods.

According to a recent report by the Congressional Research Service, there is a concern that the Eximbank's "subsidized export financing raises financing costs for all borrowers by drawing on financial resources that otherwise would be available for other uses."[28]

DOES THE EXIMBANK HELP?

Subsidies in and of themselves do not lead to increased export revenues.

Bank supporters argue that the Eximbank creates jobs by promoting exports. This simplistic argument assumes that the sales would not have taken place absent Eximbank finance. Additionally the problem of measuring the true impact of subsidized export finance is difficult. Instead of measuring the amount of goods subsidized, many economists believe that we should examine the increase in export revenues due to the subsidy. Subsidies in and of themselves do not lead to increased export revenues. For goods with low demand elasticity such as commercial aircraft, the subsidy from Eximbank will not make a buyer purchase additional goods. Eximbank subsidies simply lower the price charged to the foreign buyer, while simultaneously lowering revenues from export. Economist Steven Plaut observes that elasticities for commercial aircraft and nuclear powerplants (another big Eximbank recipient) may be zero. Simply put, countries either need nuclear powerplants or they don't. Eximbank finance will not increase the demand for these items. Therefore, Eximbank subsidies are reducing export revenues. Dr. Plaut asserts that the measure of Eximbank's success should mean more than just increasing export revenues. "It should mean increasing them enough so that export earnings more than recover the export subsidy."[29]

EXPORT POLITICS

Besides the above described programs, Eximbank also has a Tied Aid Fund of $150 million. Under tied aid, euphemistically referred to as "concessionary funding," foreign aid is coupled with a promise by the recipient to purchase goods or services from nationals of the donor state. This fund is designed to allow U.S. firms to offer tied aid to compete with other exporting states. But tied aid globally has shrunk from $15 billion to $6 billion annually.[30] When tied aid is decreasing globally, why is the United States so intent on increasing its tied aid activities? According to Commerce Secretary Brown, "To get to an era where there is no tied aid, you need a club."[31] The administration argues that use of tied aid will neutralize the effect of tied aid practices of other states, thereby making tied aid a less attractive practice. Tied aid is a trade distortive practice condemned by the Organization for Economic Cooperation and Development (OECD) under a November 1991 agreement.[32] Originally, tied aid was part of a $200 million "War Chest" designed to counter tied aid offers made by other countries.[33] The new additional tied aid fund may by utilized regardless of whether competitors offer tied aid. Fortunately,

Despite its recent economic crisis, Mexico is still a leading recipient of Eximbank funding.

Eximbank officials have assured critics that the tied aid fund "will be used responsibly."

Yet another concern with the Eximbank is the problem of political pressure in selecting countries receiving finance. For example, in the early 1990s Congress investigated Eximbank finance to Iraq despite internal warnings that the Iraqis were not credit-worthy. Despite its recent economic crisis, Mexico is still a leading recipient of Eximbank funding. In 1993, Russia received an $86.2 million unsecured loan despite being in arrears on a $400 million obligation for commodity payments to another federal agency.[34]

LARGEST COMMITTMENT OF EXIMBANK FINANCE BY COUNTRY

($millions; as of September 30, 1994)

Country	Amount
Mexico	$5,580.0
Venezuela	$2,601.8
Brazil	$2,546.8
China	$2,026.7

Source: United States Export Import Bank, *Annual Report*, 1994

The largest Eximbank recipients, and those nations with the largest concentrations of outstanding loans are detailed in the accompanying tables.

The problem is simple. As a government agency, masquerading as a market-based financial institution, the Eximbank is susceptible to political pressures. Unfortunately these pressures currently outweigh sound lending practices.

As a government agency, the Eximbank is susceptible to political pressures.

Other problems with the Eximbank relate to its environmental and human rights agenda. Eximbank finance was denied to support the sale of $22 million worth of vans and four-wheel drive vehicles to Cameroon. The stated reason for this denial was human rights violations. Pursuant to the Eximbank Act, "in cases where the President determines that such action would be in the national interest where such action would clearly and importantly advance United States policy in such areas as international terrorism, nuclear proliferation, environmental protection and *human rights* (emphasis added) should the Export-Import Bank deny applications for credit for nonfinancial or non commercial considerations."[35]

The President delegates the decisions in this area to the United States Department of State. The State Department determined that the sale of minivans to the Cameroonian security force raised human rights issues. According to State Department officials, there were concerns regarding human rights violations by the Cameroonian police.

This is believed to be the first case of Eximbank financing to a specific purchaser being blocked. Carol Lee, General Counsel to the Eximbank, explained the denial of financing. "In a reflection to this administration's approach, it is fair to say, to human rights, a couple of weeks ago, the State Department issued a determination, not to a whole country, but to a category of exports to a particular purchaser in a country with human rights problems. There are situations where what we do is inappropriate because the U.S. government shouldn't be providing financing support for a transaction, as in this case, where the equipment itself would assist in practices that would violate human rights."[36]

LARGEST CONCENTRATIONS OF EXIMBANK GROSS LOANS OUTSTANDING

($millions; as of September 30, 1994)

Country	Amount
Brazil	$1,117.8
Mexico	$ 655.9
Argentina	$ 640.3
Indonesia	$ 636.5

Source: United States Export Import Bank, *Annual Report*, 1994

THE EXIMBANK'S GREEN AGENDA

An environmental agenda has also taken root at the Eximbank. The Eximbank Act provides "that the Bank shall establish procedures to take into account the potential beneficial and adverse environmental effects of goods and services for which support is requested under its direct lending and guarantee programs."[37] As part of its 1994 reorganization the Eximbank announced that one of its goals was to "promote exports of environmental goods and services."[38]

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The Eximbank's newly adopted green agenda is now entrenched in its loan review process. Applicants for U.S. government export finance will have to detail the environmental impacts of any projects or products receiving Eximbank support. The administration hopes that the new procedures will inspire other OECD export banks to adopt environmental standards in their financing process. The new standards are based upon World Bank lending practices. This green shift fails to acknowledge the different goals of Eximbank and the World Bank. The World Bank is a multilateral development bank, with a mission of promoting global development. The Eximbank however, promotes U.S. commercial interests and exports (at least in theory). As one Republican Congressional aide noted, Eximbank "should have practical interests, not paternalistic ones."[39] Copying the green agenda of the World Bank and grafting it onto the Eximbank will not further the goals of this institution.

The Eximbank's new environmental agenda has also manifested itself in recent political appointments. In April 1994, President Clinton appointed Julie Belaga to the Board of Directors of the Export-Import

Bank of the United States. Ms. Belaga lacked experience in finance or international business. She had worked as an environmental consultant for a public relations firm and had served as Regional Administrator of the U.S. Environmental Protection Agency for the New England Region. In announcing her nomination the White House carefully noted this area of experience: "As a member of the Export-Import Bank, Ms. Belaga would be responsible for carrying out the Bank's new initiatives to promote the export of environmentally-beneficial U.S. goods and services."[40]

EXIMBANK'S LIABILITIES

Still another issue for Eximbank critics is the exposure of the public purse to risks that private markets are not willing to assume. The Eximbank has a program of delegated authority. Under this program, selected banks may extend working capital loans of up to $2 million per transaction with Eximbank guarantees without receiving prior Eximbank approval.[41] The Eximbank recently announced plans to increase delegated authority up to $5 million per deal. The banks involved are experienced in export finance, but as Allan Mendelowitz, director of international trade and finance issues of the General Accounting Office, notes: "Any time Uncle Sam assumes a contingent liability you have a special problem."[42] Memories of the savings and loan debacles and bailouts are apparently relatively short in some government offices.

As part of the NES "government must play an important and more focused role in helping the private sector sell more goods and services overseas."

THE EXIMBANK AND THE NES

The Eximbank is a major piece in the Clinton administration's National Export Strategy (NES). Some steps in the Clinton NES,[43] such as increasing data distribution of global opportunities to U.S. exporters and reducing export control regulation in the post-Cold War era, are moves toward freer trade. These regulatory cuts and lower information costs are laudable goals that free traders and managed traders can both generally applaud. However, the NES doesn't stop there.

The Clinton plan involves an aggressive intervention of the federal government in export promotion. As part of the NES "government must play an important and more focused role in helping the private sector sell more goods and services overseas."[44] Under the NES, the government must "reinvent" its activities in the trade promotion area.

Pursuant to the NES, the federal government targets specific countries, designated as "Big Emerging Markets" for export penetration by a coordinated government-industrial campaign. These "BEMs" are Mexico, Argentina, Poland, Brazil, China, Indonesia, India, South Africa, South Korea and Turkey. The NES will identify specific "Big Emerging

Sectors" (BESs) for American companies to target. These targeted areas include aerospace, telecommunications, information technologies, environmental technology, medical equipment and infrastructure industries.

"Once bureaucrats become involved in managing trade flows, the potential for misguided decisions rises greatly."

Identifying on BEMs and BESs is the work of market forces, without the all too visible hand of government intervention. These sectors may very well be the future for U.S. exports. Yet the evaluation of their importance is most properly made by private companies and not government agencies. As then-GATT Director General Peter Sutherland notes "Once bureaucrats become involved in managing trade flows, the potential for misguided decisions rises greatly."[45]

Additionally, it is ridiculous for the Department of Commerce to behave as though the importance of these states was something only recently discovered. Do American businesses really need the Department of Commerce, or any government agency, to tell them that China, with a population of over one billion people and a rapidly rising per capita GNP, is a "big emerging market"? Other states on the NES list such as India and Indonesia boast respectively the world's second and third largest populations and similarly booming economies.

The importance of these export markets is nothing new even to the federal government. Between September 1992, and September 1993 some 44 percent of the loans, grants and loan guarantees by the Eximbank were already being spent to support exports in these areas.[46]

Do American businesses really need the Department of Commerce to tell them that China is a "big emerging market"?

Similarly, the NES would create risk co-financing agreements between federal financing agencies, such as the Eximbank and the Small Business Administration, and local governments. The Clinton plan would not ignore the private banking sector. This sector will be "educated" as "to the benefits of U.S. government export financing programs."[47] U.S. financial institutions would also be offered "positive consideration" for making small business loans under the Community Reinvestment Act. Finally, the NES plans to "stimulate the private sector's creation of a secondary market for short-term export loans." The Federal government's role in export finance would shift as the government became "a wholesaler of trade promotion services."[48]

Finally, the NES anticipates the cooperation of multilateral development banks (MDBs) to promote the export policy and expansive export finance programs. The NES envisions "integrat[ing] the role of the MDBs into broad government export finance program agendas."[49] A public information campaign, touting and soliciting increased MDB financing by U.S. firms is also planned.

Part of the Clinton NES involves increased advocacy and lobbying by the federal government to secure sales for U.S. firms. A sale of aircraft to Saudi Arabia highlights this aspect of the NES. At a joint celebratory press conference, President Clinton, Secretary of Commerce Ron Brown and Eximbank Chairman Kenneth Brody announced a $6 billion sale of aircraft by Boeing and McDonnell Douglas to Saudi Arabia. According to the administration, the deal was "made possible" by a concerted lobbying effort by Secretary Brown, Secretary of State Warren Christopher and Secretary of Transportation Federico Pena. In reality the transaction may be properly credited to the Eximbank which ponied up $6.2 billion in export finance.

The ethics of U.S. government advocacy on behalf of specific firms is also questionable.

The role of the administration in the Saudi aircraft sale has sparked criticism from other exporters. The European Community asserts that the administration violated the GATT by offering trade incentives related to defense materials. Airbus argues that the Clinton administration's rescheduling of $9.2 billion in Saudi defense-related debt played a role in the contract award. European competitors allege that the U.S. violated GATT code provisions that prohibit governments from using undue pressure on potential clients to favor their own national manufacturers over foreign firms.[50]

The agreement referred to is the 1992 US-EC Agreement Concerning Application of the GATT Agreement on Trade in Civil Aircraft. This limits the amount of government support for aircraft production. The Uruguay Round does not affect this agreement directly, but will bring civil aircraft and aircraft products under the new Agreement on Subsidies and Countervailing Duties and provide more rapid and binding dispute resolution.

Finally, the ethics of U.S. government advocacy on behalf of specific firms is also questionable. With the exception of cases where statutory authority for general promotion efforts exist, specific export advocacy may be considered as an endorsement of a particular firm or product. Endorsements of firms by government officials lacking statutory authority may violate the regulations of the Office of Government Ethics. Such advocacy may constitute self dealing or otherwise undermine the integrity of the government regulatory agency. Advocacy efforts are even more problematic in instances where there are more than one American company in an industry and arguments of favoritism may be raised.

Export promotion activities cannot be the dispositive factor in export success.

ECOLOGICALLY-CORRECT EXPORTS

The Clinton strategy not only promotes subsidized loans and guarantees to support exports but does it with an environmental agenda. Under the NES promotion and special consideration must be given to environmental technologies exports. Under this plan the Department of Commerce would make export financing readily available to environmental technology firms and "identify suitable markets for U.S. environmental products."[51] This blatant attempt at industrial policy and managed trade empowers the government to select a designated sector for market development and subsidization.

Secretary of Commerce Ron Brown has also made recent appointments with an eye toward environmental exports. Anne Alonzo, a former EPA official was recently appointed to a newly created post of Deputy Assistant Secretary for Environmental Technology Exports. Ms. Alonzo heads the Office of Environmental Technologies Exports of the Department of Commerce. The new office will assist the Environment Committee of the Trade Promotion Coordinating Committee and aid domestic firms with market access and finance problems.

CONCLUSION

A plurality of exporters polled last fall by the United States Chamber of Commerce indicated that they have seen no changes in export markets due to the administration's policies.[52] Export promotion activities cannot be the dispositive factor in export success. Interest rates, currency exchange rates and infrastructure are far more significant in determining export success. A recent report by the Congressional Research Service similarly concludes that "U.S. economic policy and the domestic supply and demand of capital will continue to determine the level of trade and employment in the economy."[53] The existence of the Eximbank is clearly not dispositive in the nation's export success.

To boost exports, government relaxation of onerous, Cold War export regulations would be far more effective and far less expensive than relying on Eximbank finance.

To boost exports, government relaxation of onerous, Cold War export regulations would be far more effective and far less expensive than relying on Eximbank finance. Eighty percent of export licenses sought involve exports of computers, telecommunications equipment or other electronic devices. An estimated $30 billion in increased exports is expected when export regulations on computer equipment is relaxed to 500 MTOPS (millions-of-theoretical-operations-per-second). Relaxation of exports of supercomputers will result in another $35 billion in exports. An estimated $2 billion in increased sales is expected when telecommunication sales are similarly eased.[54] Furthermore, these expected gains from easing export control regulations don't even account for the millions spent by successful exporters in managing costly internal export control programs.

Eximbank critic Steven Plaut sees two major flaws in Eximbank thinking. The first flawed assumption is that financial markets that can raise billions of dollars for a host of corporate projects are incapable of financing the export sales of aircraft and earth movers. A second mistake is believing "that the government is capable of running a bank."[55] The evidence indicates that Dr. Plaut is correct. Opponents of Eximbank, such as the Cato Institute, assert that the Eximbank has lost over $8 billion since its inception. Most of these losses have been incurred in the last fifteen years.[56]

The Eximbank was created in 1934 to facilitate trade with the Soviet Union.[57] Sixty years later, the Eximbank should follow the lead of its first customers and go out of business in favor of market based solutions.

ABOUT THE AUTHOR

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