REAUTHORIZATION OF THE EXPORT-IMPORT BANK

JULY 31, 1997.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. Leach, from the Committee on Banking and Financial Services, submitted the following

REPORT

together with

ADDITIONAL AND SUPPLEMENTAL VIEWS

[To accompany H.R. 1370]

[Including cost estimate of the Congressional Budget Office]

The Committee on Banking and Financial Services, to whom was referred the bill (H.R. 1370) to reauthorize the Export-Import Bank of the United States, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. EXTENSION OF AUTHORITY.


SEC. 2. TIED AID CREDIT FUND AUTHORITY.

(a) Section 10(c)(2) of the Export-Import Bank Act of 1945 (12 U.S.C. 635i–3(c)(2)) is amended by striking “through September 30, 1997”.

(b) Section 10(e) of such Act (12 U.S.C. 635i–3(e)) is amended by striking the first sentence and inserting the following: “There are authorized to be appropriated to the Fund such sums as may be necessary to carry out the purposes of this section.”.

SEC. 3. EXTENSION OF AUTHORITY TO PROVIDE FINANCING FOR THE EXPORT OF NON-LETHAL DEFENSE ARTICLES OR SERVICES THE PRIMARY END USE OF WHICH WILL BE FOR CIVILIAN PURPOSES.

Section 1(c) of Public Law 103–428 (12 U.S.C. 635 note; 108 Stat. 4376) is amended by striking “1997” and inserting “2001”.

39–006
SEC. 4. CLARIFICATION OF PROCEDURES FOR DENYING CREDIT BASED ON THE NATIONAL INTEREST.


(1) in the last sentence, by inserting `, after consultation with the Committee on Banking and Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate,` after `President`; and

(2) by adding at the end the following: “Each such determination shall be delivered in writing to the President of the Bank, shall state that the determination is made pursuant to this section, and shall specify the applications or categories of applications for credit which should be denied by the Bank in furtherance of the national interest.”.

SEC. 5. ADMINISTRATIVE COUNSEL.

Section 3(e) of the Export-Import Bank Act of 1945 (12 U.S.C. 635a(e)) is amended—

(1) by inserting “(1)” after “(e)”;

(2) by adding at the end the following:

“(2) The General Counsel of the Bank shall ensure that the directors, officers, and employees of the Bank have available appropriate legal counsel for advice on, and oversight of, issues relating to ethics, conflicts of interest, personnel matters, and other administrative law matters by designating an attorney to serve as Assistant General Counsel for Administration, whose duties, under the supervision of the General Counsel, shall be concerned solely or primarily with such issues.”.

SEC. 6. ADVISORY COMMITTEE FOR SUB-SAHARAN AFRICA.

(a) In General.—Section 2(b) of the Export-Import Bank Act of 1945 (12 U.S.C. 635(b)) is amended by inserting after paragraph (8) the following:

“(9)(A) The Board of Directors of the Bank shall take prompt measures, consistent with the credit standards otherwise required by law, to promote the expansion of the Bank's financial commitments in sub-Saharan Africa under the loan, guarantee, and insurance programs of the Bank.

“(B)(i) The Board of Directors shall establish and use an advisory committee to advise the Board of Directors on the development and implementation of policies and programs designed to support the expansion described in subparagraph (A).

“(ii) The advisory committee shall make recommendations to the Board of Directors on how the Bank can facilitate greater support by United States commercial banks for trade with sub-Saharan Africa.

“(iii) The advisory committee shall terminate 4 years after the date of the enactment of this subparagraph.”.

(b) REPORTS TO THE CONGRESS.—Within 6 months after the date of the enactment of this Act, and annually for each of the 4 years thereafter, the Board of Directors of the Export-Import Bank of the United States submit to the Congress a report on the steps that the Board has taken to implement section 2(b)(9)(B) of the Export-Import Bank Act of 1945 and any recommendations of the advisory committee established pursuant to such section.

SEC. 7. INCREASE IN LABOR REPRESENTATION ON THE ADVISORY COMMITTEE OF THE EXPORT-IMPORT BANK.

Section 3(d)(2) of the Export-Import Bank Act of 1945 (12 U.S.C. 635a(d)(2)) is amended—

(1) by inserting “(A)” after “(2)”;

(2) by adding after and below the end the following:

“(B) Not less than 2 members appointed to the Advisory Committee shall be representative of the labor community.”.

SEC. 8. OUTREACH TO COMPANIES.

Section 2(b)(1) of the Export-Import Bank Act of 1945 (12 U.S.C. 635(b)(1)) is amended by adding at the end the following:

“(I) The Chairman of the Bank shall design and implement a program to provide information about Bank programs to companies which have not participated in Bank programs. Not later than 1 year after the date of the enactment of this subparagraph, the Chairman of the Bank shall submit to the Congress a report on the activities undertaken pursuant to this subparagraph.”.
SEC. 9. FIRMS THAT HAVE SHOWN A COMMITMENT TO REINVESTMENT AND JOB CREATION IN THE UNITED STATES TO BE GIVEN PREFERENCE IN FINANCIAL ASSISTANCE DETERMINATIONS.

Section 2(b)(1) of the Export-Import Bank Act of 1945 (12 U.S.C. 635(b)(1)), as amended by section 8 of this Act, is amended by adding at the end the following:

"(J) The Board of Directors of the Bank shall prescribe such regulations and the Bank shall implement such procedures as may be appropriate to ensure that, in selecting from among firms to which to provide financial assistance, preference be given to any firm that has shown a commitment to reinvestment and job creation in the United States."

EXPLANATION OF THE LEGISLATION

H.R. 1370 provides for the following: (1) a four-year renewal of the charter for the Export-Import Bank of the United States through September 30, 2001; (2) an extension of the tied aid credit fund authority; (3) an extension of the authority for providing financing for the export of nonlethal defense articles; (4) a clarification of the President's authority to prevent Bank financing based on national interest concerns; (5) the creation of an Assistant General Counsel for Administration position; (6) authorization for the establishment of an Advisory Committee to assist the Bank in facilitating U.S. exports to sub-Saharan Africa; (7) a requirement that two labor representatives be appointed to the Bank's existing Advisory Committee; (8) a requirement that the Bank's Chairman design and implement a program to increase awareness of its programs among companies that have not previously utilized the Bank's services; and (9) the establishment of regulations and procedures, as appropriate, to ensure that when the Bank is making a determination as among firms to receive assistance that preference be given to any firm that has shown a commitment to reinvestment and job creation in the United States.

BACKGROUND AND NEED FOR LEGISLATION

The bill as reported reauthorizes the charter of the Export-Import Bank of the United States (Eximbank or the Bank) through the close of business on September 30, 2001. Without reauthorization, Eximbank's charter will expire at the end of fiscal year 1997.

Eximbank is an independent federal agency established to provide export financing for U.S. businesses. The Bank has a dual purpose: to neutralize aggressive financing by foreign export credit agencies, and to furnish prudent export credit financing when private financing is unavailable. It does this through a variety of loan, guarantee, and insurance programs. Since its founding, Eximbank has supported more than $300 billion in U.S. exports, almost $100 billion in this decade alone. The Bank currently supports about $15 billion in U.S. exports annually.

The Committee believes that there is a continuing need for the services that Eximbank is uniquely positioned to provide, and that it is crucial to maintain a strong U.S. export credit agency in the competitive world of international trade finance.

Export growth is playing an increasingly significant role in overall U.S. economic performance. For example, from 1985–1996, U.S. export growth accounted for about 30% of gross domestic product (GDP) growth. Most of the exports financed by the Bank are for capital equipment for the rapidly developing economies in Asia,
Latin America, Eastern Europe, and the former Soviet Union. The Committee notes that in recent years overall economic growth in the developing world has averaged more than 5% annually, about twice the rate of the advanced industrial economies. The Department of Commerce predicts that U.S. exports to the developing world could quadruple between now and the year 2010. Given the potential size and intense competitiveness of capital goods markets in the developing world, the Committee believes that failure to reauthorize the Bank would put U.S. exporters at a severe competitive disadvantage.

In this regard, Eximbank has been an important instrument in Congressional efforts to reduce the trade-distorting activities of foreign export credit agencies (ECAs). The Bank, together with the Treasury Department, has led U.S. efforts in the Organization for Economic Cooperation and Development (OECD) to reach agreements limiting subsidies by developed country ECAs. Eximbank has also used its tied aid credit fund authority (the “tied aid war chest”) to counter the tied aid offers of foreign governments. Due to Eximbank’s efforts to discipline tied aid, the use of this trade-distorting technique by foreign governments has declined by 75% since 1991.

The Committee notes that the General Accounting Office (GAO) recently concluded that the most compelling reasons for reauthorizing Eximbank are that it helps to “level the international playing field” for U.S. exporters and provides leverage in trade policy negotiations to induce foreign governments to reduce and ultimately eliminate such subsidies. In serving this function, however, the Bank does not compete with the private sector. According to GAO, “unlike Eximbank, other ECAs appear to compete to varying degrees with private sources of export financing. They do not aim to function exclusively as ‘lenders of last resort,’ as the Eximbank strives to do. Eximbank aims to complement and not compete with private sources of capital.”

Although Congress has mandated that the Bank complement the market and not compete with the private sector, other well-supported ECAs are not similarly constrained in their operations. Without the Bank to bring more discipline to international trade finance, the U.S. would have no leverage in international negotiations to further reduce or eliminate all forms of export credit subsidies. Without Eximbank, international trade would become more distorted, and U.S. businesses and workers would suffer as a result.

While the Committee strongly supports an international trading environment in which purchase decisions are made solely on the basis of market factors like price, quality, and service, this world does not yet exist. Indeed, our industrialized trade competitors account for a far larger share of total G-7 ECA activity and ECA-supported exports than the United States. The statistics speak for themselves. In 1994, Japan and France together accounted for 77% of total G-7 ECA activity. As a percentage of exports, ECA financing accounts for 32% of Japanese and 18% of French exports, compared with 2% for the United States. Japan and France devote a substantial 6.4% and 4.3% of GDP, respectively, to export assistance. This compares with just 0.22% for the United States.
Congress has mandated that 10% of Eximbank's financing be directed to small business. This target has been exceeded in recent years. During 1996, 21% of the Bank's financing and about 81% of all its transactions were with small businesses. During 1996, Eximbank extended nearly $378 million in guarantees under its Working Capital Guarantee Program to help make available revolving lines of credit used by small- and medium-sized exporters. The Bank continues to improve its outreach to small business through its City/State Program which consists of partnerships with state and local organizations and through its Delegated Authority Program where lenders in over twenty states have the authority to make commitments on behalf of the Bank.

In providing financing to small business and other U.S. exporters, Eximbank has prudently managed its portfolio. Since 1980 losses have been less than $2.5 billion on $125 billion worth of loans. This is equivalent to a loan loss ratio of about 1.9%. The loan loss ratio of commercial banks loans to foreign governments during this same time frame has been about 6%. The Bank is also well reserved against contingent liabilities under its guarantee and insurance policies. These reserves are funded on a continuing basis by user fees and risk-based premiums paid by U.S. exporters. The Bank has established loss reserves totaling $3.8 billion, which should be sufficient to cover potential losses on its $44 billion of contingent liabilities, given current economic conditions and continued maintenance of the Bank's high credit standards.

Eximbank is not self-financing. It requires annual appropriations both for its administrative expenses and its program budget. The program budget for Eximbank, called a “credit subsidy” under the terms of the 1990 Federal Credit Reform Act (designed to more accurately measure the costs of cash and credit transactions for the purpose of budgeting and analysis), provides the source for the Bank's export financing loans, loan guarantees, and export credit insurance. From the perspective of a financial institution, the Bank's credit subsidy is most closely analogous to a loan loss reserve. For example, for fiscal 1996 Eximbank's financial statements for its entire loan, guarantee and insurance portfolio showed a “profit” of about $1.24 billion. The “profit” figure is made up of three elements: (1) net interest income of $401 million; (2) a reduction in the Provision for Credit losses of $665 million; and (3) net non-interest income of $174.1 million. However, under Credit Reform budgeting, each year the Bank must seek an appropriation to cover all losses which may be incurred on new business committed that year. This appropriation acts as a reserve, and unused amounts will be returned to the Treasury in the future when the loans and guarantees are repaid.

Unanticipated demand for Eximbank's services in high-risk developing markets, most particularly Russia and the Newly Independent States (NIS), has placed a significant strain on its current year and fiscal year 1998 program budget. Given the magnitude of the shortfall, the Committee supports efforts to remedy this problem in the appropriations process. The Committee also supports allowing Eximbank to borrow budget authority from its tied aid war chest to bridge the immediate shortfall, provided that the Bank consults closely with the Committee regarding the pace and scope
of the draw down to ensure that the capacity of the Bank to deter foreign aid offers is not compromised. For fiscal year 1998, the Bank has proposed a number of policy changes to reduce demand on its subsidy appropriation. The Committee urges the Bank to continue close consultations with the exporting community and Congress regarding its funding options.

In this context, the Committee is aware that Eximbank activity in Russia and the NIS has occasionally been the focus of criticism. At the core of this criticism is the policy presumption that Eximbank should operate as a foreign policy agency. Critics suggest, for example, that Eximbank should not be supporting U.S. exports to Russia when the buyer may be a state-owned enterprise. By financing such transactions, critics contend, Eximbank is operating at cross purposes to broader American foreign policy objectives. While the issue is a serious one, the Committee believes much of this criticism is misplaced. In Russia until very recently, economic, legal, and political conditions compelled the Bank to operate almost exclusively on a sovereign risk basis. It operates exclusively on a sovereign risk basis—that is, requiring a government guarantee—elsewhere in the NIS. It has done so because in order to protect the taxpayer against losses, Congress requires that Eximbank’s borrowers must offer a reasonable assurance of repayment.

As economic reforms gather speed, and as the financial services sectors in Russia and the NIS begin to develop true commercial banks with the objectives and skills to make commercial loans, Eximbank can accelerate its efforts to deal with the private sector without relying on government guarantees. The Committee points out with respect to Eximbank-financed transactions with Russian state enterprises that in absence of the Bank’s participation, the U.S. exporter would not have received the contract because the private sector cannot provide financing or would do so only on less favorable terms. The sales would have likely gone to a European firm instead. Further, it appears that international financial institutions offer a far better mechanism for promoting structural reforms in Russia and the NIS than do trade finance agencies.

As amended, this legislation contains several provisions not in the Administration’s original request. First, the Committee amended the so-called “Chafee Amendment” under which the President of the United States may make a determination that it is in the national interest that the Bank not take final action with respect to a particular transaction. In practice, this determination has been delegated to the Secretary of State. The new language clarifies and makes more transparent the procedures under which the President may invoke the authority provided by the Chafee Amendment. It simply requires that before the President or his designee makes a determination that it is in the national interest for the Bank to deny credit, there must be consultation with the House and Senate Banking Committees, and once a determination is reached, a written document containing that determination must be delivered to the President of the Bank specifically citing the legal authority and policy rationale for denying a final transaction by the Bank.
The Committee has considered the Department of State’s concerns regarding the practical implications of the “consultation” requirement on the Department’s ability to effectively invoke the Chafee Amendment. The Committee recognizes that facts and circumstances surrounding a decision to invoke the Chafee Amendment may require quick action. Accordingly, the bill does not specify the scope, length or nature of the consultations. The Committee recognizes that consultations may consist of a notification to the Committee and an opportunity for quick Committee reaction. The Committee does not expect this consultation requirement to interfere with the Secretary of State’s decision-making process, but rather as a method of providing the Committee with prior knowledge of any action to be taken under Chafee and an opportunity to provide comment to State.

Second, the Committee created the position of Assistant General Counsel for Administration within the Bank. This provision is intended to help the new management of the Bank ensure that certain recent management problems such as the past abuse of retention allowances and other issues are put behind the agency and the Bank upholds at all times the highest ethical and professional standards.

Third, consistent with the Bank’s existing credit standards, an Advisory Committee was established for promoting the Bank’s commitments in sub-Saharan Africa. The Advisory Committee is to advise the Board of Directors on the development and implementation of policies and programs to enhance support for the expansion of loans, guarantees, and insurance to the sub-Saharan Africa region. The Advisory Committee is set to terminate four years after the date of enactment.

The Advisory Committee shall meet at least twice per year and submit a written report to the Board of Directors containing their suggestions on improvements in the provision of loans, guarantees, and insurance with respect to sub-Saharan Africa. It shall consist of five members who shall be appointed by the Board of Directors on the recommendation of the President of the Bank. Such members shall be broadly representative of trade finance, commerce, and banking. Not less than one member appointed to the Advisory Committee shall be representative of the small business community.

This provision regarding sub-Saharan Africa trade and development initiatives has bipartisan support. With Africa presently accounting for only a small percent of Eximbank’s transactions, the Bank sees Africa as a new frontier for its services. One of the means of developing a stronger economic partnership with reform-minded sub-Saharan African countries is trade finance and private sector development utilizing the resources of Eximbank.

The Committee wishes to make clear that it does not intend to alter the Bank’s basic mission as a consequence of the establishment of this Advisory Committee. The Committee does not intend for the Bank to assume a foreign policy or foreign assistance function. Rather, it is the Committee’s strong expectation that Eximbank will remain “deal driven” and respond to the needs of exporters on a case-by-case basis.
Fourth, the Committee required that the Bank include on its existing Advisory Committee not less than two representatives from the labor community. The Advisory Committee positions are filled on a year to year basis, and as such, the next available opening would be filled by a labor community representative. Given that the Bank benefits both businesses and workers, the Committee believes it entirely appropriate to increase labor's representation on Eximbank's Advisory Committee. As much of the Bank's operating policy is not set by statute, it is important that American workers have adequate ability to advise the Bank on policy matters. Otherwise, current statutory requirements regarding positions on the Export-Import Bank's Advisory Committee, including the requirement of three members to represent small business, remains unchanged.

Fifth, the Committee directed the Bank to design an outreach program specifically targeted to reach those companies that have never used the Bank's services. The Committee further directed the Bank to implement the program within one year, and looks forward to consultation with Eximbank on ways to increase the number of small and medium size businesses familiar with the programs of the Bank.

Sixth, the Committee required Eximbank to prescribe regulations and procedures, as appropriate, to ensure that in selecting among firms to provide financial assistance, preference be given to any firm that has shown a commitment to job creation and reinvestment in the United States. This amendment reflects the concern of a majority of the Committee that because the purpose of Eximbank is to support U.S. jobs through exports, the Bank should give preference to corporations which reinvest and support jobs in the United States. The Committee expects to remain in close consultations with the Bank regarding this provision, recognizing that Congress has otherwise directed the Bank to efficiently follow market demand, consider applications in the order they are received, make timely and market-sensitive judgments on the basis of the creditworthiness of the buyer (not the exporter), as well as the Bank's environmental guidelines, and establish a reasonable assurance of repayment for every transaction.

Several Members of the Committee have also raised concerns about potential adverse impacts of Eximbank financing on U.S. industry. Currently, before it takes final action on any transaction, Eximbank is required to assess whether and to what extent its loans and guarantees are likely to cause substantial direct injury to U.S. industry. If Eximbank support would have a net adverse economic impact on U.S. production and employment then it may not provide assistance.

The Committee understands that Eximbank has had in place its current Economic Impact Analysis Procedures (Procedures) since approximately 1988 with an update in 1992. The Committee believes that the current Procedures to determine if there is substantial adverse effect on American industries and workers as a result of Eximbank financing are in need of updating. Realizing that the world economy is rapidly changing and that new trade relationships have dramatically impacted the global delivery of goods and services, the Committee directs Eximbank to conduct a full review...
of its Economic Impact Analysis Procedures and take action for update pursuant, but not limited to, the Committee's instructions.

The Committee understands that any change in the current Procedures must carefully weigh the interests of many diverse parties and take into account the overall long-term interests of the American worker. In the review of Procedures, the Committee directs the Bank to recommend and implement measures to improve the information gathering capability of Eximbank, increase consultation with American producers of goods and services similar to the goods and services to be produced as a result of Eximbank financing (such as giving greater notice to American industries that suffer competitively as a result of unfair trade practices—as noted by the United States Trade Representative—in the country or region Eximbank financing will be directed and improving communication with American companies that are able to demonstrate that an Eximbank-financed project will have a substantial adverse affect on their company and workers), protecting proprietary trade secrets of American exporters, and not diminishing the competitiveness of American exporters by causing unnecessary delays in the application process.

The Committee expects that this review process will take place in consultation with the Banking Committees. Additionally, the Committee expects that this review process will take place in consultation with representatives of appropriate federal agencies, private corporations, small businesses, and industry groups.

The Committee expects the Bank to report the findings and actions taken as a result of the review of Procedures to the Banking Committees no later than May 31, 1998.

In the future, the Committee directs the Bank to conduct a like review of Procedures and report findings and actions taken to the Banking Committees at least 90 days prior to the expiration of the Bank's charter (as amended from time to time).

HEARINGS

On April 17, 1997, at the request of the Administration, Mr. Michael N. Castle introduced H.R. 1370, a bill to reauthorize the Export-Import Bank of the United States.

On April 29, 1997 the Subcommittee on Domestic and International Monetary Policy held a hearing on the reauthorization of the Export-Import Bank. Witnesses were as follows: (1) Dr. Rita M. Rodriguez, Acting President and Chairman of the Export-Import Bank of the United States; (2) Ms. Meg Lundsager, Deputy Assistant Secretary, Trade and Investment Policy at the U.S. Treasury; (3) Mr. Benjamin F. Nelson, Director of International Relations and Trade Issues of the General Accounting Office; (4) Mr. John H. Robinson, Jr., Managing Partner at Black & Veatch, representing the National Foreign Trade Council; (5) Mr. Gary Groom, Vice President of Project Finance for Raytheon Engineers and Constructors, representing the National Association of Manufacturers and the Coalition for Exports through Employment; (6) Mr. Peter Bowe, President of Ellicott Machine Corporation International, representing the Small Business Exporters Association; (7) Mr. Peter P. Ferris, Executive Vice President and Manager of the World Banking Group of Norwest Bank Minnesota, N.A.; (8) Mr. Howard D. Sam-
uel, Executive Director of the Labor/Industry Coalition for International Trade; and (9) Mr. Peter J. Ferrara, General Counsel and Chief Economist for Americans for Tax Reform.

COMMITTEE CONSIDERATION AND VOTES

Rule XI, clause 2(l)(2)(B)

On May 8, 1997, the Domestic and International Monetary Policy Subcommittee of the Banking and Financial Services Committee met in open session to mark up H.R. 1370. The Subcommittee considered as original text for purposes of amendment an amendment in the nature of a substitute from Chairman Castle. The Castle substitute extended the Export-Import Bank’s charter from September 30, 1997 through September 30, 2001. For the same reauthorization period, the amendment extended the authority to: (1) obtain reimbursement for tied aid credits; (2) receive appropriations for the Tied Aid Credit Fund; and (3) delay the termination of amendments that provide financing for the exportation of nonlethal defense articles or services used for civilian purposes. The amendment also: (1) clarified the procedures for denying credit based on national interest by requiring that such a determination be presented to the President of the Export-Import Bank in writing; (2) provided for an Assistant General Counsel for Administration to be designated to handle issues relating to ethics, conflicts of interest, personnel matters and other administrative law matters; and (3) provided for an Advisory Committee to be established to promote the expansion of the Bank’s financial commitments in sub-Saharan Africa. The amendment was adopted by unanimous consent.

Roll call votes were taken on the following amendments:

Representative Sanders’ Unfiled Amendment 1: This amendment required the Bank to give preference to firms which, over the last 15 years, had increased rather than decreased, their number of employees or had shown a demonstrable commitment to job creation in the United States. It was defeated 5 to 11.

YEAS                                 NAYS
Dr. Paul                               Mr. Castle
Mr. Sanders                            Mr. LaTourette
Mr. Hinchey                            Mr. Lucas
Mr. Jackson, Jr.                       Mr. Barr
Mr. Torres                             Dr. Weldon
                                        Mr. Bereuter
                                        Mr. Cook
                                        Mr. Manzullo
                                        Mr. Flake
                                        Mr. Frank
                                        Mr. Bentsen

Representative Sanders’ Unfiled Amendment 2: This amendment required the Bank to give preference to a firm where the chief executive officer did not receive compensation that exceeded 40 times the average compensation provided to nonsupervisory employees of the firm. It was defeated 3 to 8.
Representative Frank's Unfiled Amendment 5: This amendment required a community service commitment for the Board of Directors of any corporation receiving Bank assistance. This amendment was defeated 8 to 11.

On July 9, 1997, the Committee on Banking and Financial Services marked up the amended bill as passed out of subcommittee in open session, pursuant to notice.

Roll call votes were taken on the following amendments:

Representative Jones' amendment 1: This amendment provided that Eximbank may provide up to 90% coverage of the interest and principal instead of 100% of the 85% maximum that the Bank currently is allowed to provide for guarantees. It was defeated 8 to 35.
Representative Sanders’ amendment 3: This amendment directed the Eximbank to establish procedures to ensure that, when selecting among firms to provide financial assistance, preference be given to any firm that has shown a commitment to reinvestment and job creation in the United States. It was accepted 24 to 21.

YEAS
Mr. Campbell
Mr. Ney
Dr. Paul
Mr. Cook
Mr. Foley
Mr. Gonzalez
Mr. LaFalce
Mr. Vento
Mr. Kanjorski
Mr. Flake
Mr. Sanders
Mrs. Roybal-Allard
Mr. Barrett
Ms. Velázquez
Mr. Watt
Mr. Hinchey
Mr. Ackerman
Mr. Bentsen
Mr. Jackson
Ms. McKinney
Ms. Kilpatrick
Ms. Maloney
Ms. Hooley
Ms. Carson

NAYS
Mr. Leach
Mr. Bereuter
Mr. Baker
Mr. Lazio
Mr. Bachus
Mr. Castle
Mr. Royce
Mr. Lucas
Mr. Metcalf
Mr. Ehrlich
Mr. Barr
Mr. Fox
Mrs. Kelly
Dr. Weldon
Mr. Ryun
Mr. Snowbarger
Mr. Riley
Mr. Hill
Mr. Sessions
Mr. LaTourette
Mr. Manzullo

Representative Frank’s amendment 5: This amendment would have instituted a community service work requirement for members of Boards of Directors of firms receiving assistance from the Eximbank. It was defeated 9 to 29.
With a quorum being present, the Committee by voice vote ordered the bill reported to the House with the recommendation that the bill, as amended, do pass.

**COMMITTEE OVERSIGHT FINDINGS**

In compliance with clause 1(l)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee reports the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

**COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT FINDINGS**

No findings or recommendations of the Committee on Government Reform and Oversight were received as referred to in clause 2(l)(3)(d) of rule XI of the Rules of the House of Representatives.

**CONSTITUTIONAL AUTHORITY**

In compliance with clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Constitutional Authority for Congress to enact this legislation is derived from Article I, section 8, clause 1 (relating to the general welfare of the United States); Arti-
Article I, section 8, clause 3 (relating to Congressional power to regulate commerce); and Article I, section 8, clause 18 (relating to making all laws necessary and proper for carrying into execution powers vested by the Constitution in the government of the United States). In addition, the power to “coin money” and “regulate the value thereof” provided for in clause 5, Article I, has been broadly construed to allow for the Federal regulation of the provision of credit.

NEW BUDGET AUTHORITY AND TAX EXPENDITURES

Clause 2(l)(3)(B) of rule XI of the Rules of the House of Representatives is inapplicable because this legislation does not provide new budgetary authority or increased tax expenditures.

ADVISORY COMMITTEE STATEMENT

An advisory committee within the meaning of Section 5(b) of the Federal Advisory Committee Act was created to promote the expansion of the Bank’s financial commitments in sub-Saharan Africa.

CONGRESSIONAL ACCOUNTABILITY ACT

The reporting requirement under section 102(b)(3) of the Congressional Accountability Act (P.L. 104–1) is inapplicable because this legislation does not relate to terms and conditions of employment or access to public services or accommodations.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATES AND FEDERAL MANDATE COST ESTIMATE

The cost estimate pursuant to clause 2(l)(3)(c) of rule XI, of the Rules of the House of Representatives and Section 403 of the Congressional Budget Act of 1974, and the cost estimate pursuant to Section 424 of the Unfunded Mandates Reform Act (P.L. 104–4) follow below.


Hon. JAMES A. LEACH,
Chairman, Committee on Banking and Financial Services, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 1370, a bill to reauthorize the Export-Import Bank of the United States.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Joseph C. Whitehill.

Sincerely,

JUNE E. O’NEILL, Director.

Enclosure.

Summary: H.R. 1370 would authorize the Export-Import Bank (Eximbank) to finance exports through 2001. CBO estimates that enacting the bill would result in additional discretionary spending of about $80 million in 1998 and $1.2 billion to $1.3 billion over the 1998–2002 period. H.R. 1370 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply. The bill contains no intergovernmental or private-sector mandates.
as defined in the Unfunded Mandates Reform Act of 1995 (UMRA), and would have no impact on the budgets of state, local, or tribal governments.

Estimated Cost to the Federal Government: H.R. 1370 would extend through 2001 the Eximbank’s authority to finance exports of goods and services through loans, guarantees, and highly subsidized tied-aid credits. The bank has a permanent, indefinite authorization for appropriations to cover the cost of its loans and guarantees, as defined by the Federal Credit Reform Act of 1990. Because the bill does not authorize specific amounts, funding will depend on subsequent appropriations actions. The following table shows estimated spending assuming funding at the 1997 level adjusted for inflation and assuming that funding is held at the 1997 level through 2001. The estimate assumes that outlays would follow historical spending patterns.

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<th>By fiscal years, in millions of dollars</th>
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<td>Estimated outlays</td>
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<tr>
<td>Assuming Funding at the 1997 Level Adjusted for Inflation Proposed Changes:</td>
</tr>
<tr>
<td>Estimated authorization level</td>
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<tr>
<td>Estimated outlays</td>
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<tr>
<td>Spending Under the Bill for the Eximbank:</td>
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<td>Estimated authorization level</td>
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</tr>
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<td>Estimated authorization level</td>
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<tr>
<td>Estimated outlays</td>
</tr>
</tbody>
</table>

1 The 1997 level is the amount appropriated for that year. 2 The estimated authorization for 1998 through 2002 under current law represents the net impact of the permanent, indefinite authorization for administrative expenses and estimated negative subsidy receipts from credit extended prior to 1998.

The costs of this legislation would fall within budget function 150 (international affairs).

Pay-as-you-go considerations: None.

Intergovernmental and private-sector impact: H.R. 1370 contains no intergovernmental or private-sector mandates as defined in UMRA, and would have no impact on the budgets on state, local, or tribal governments.


Estimate approved by: Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.

SECTION-BY-SECTION ANALYSIS

Section 1. Extension of Authority
Section 2. Tied Aid Credit Fund Authority
Section 1. Extension of authority

This section allows the Export-Import Bank of the United States (the Bank) to continue to exercise its functions in connection with in furtherance of its objects and purposes until the close of business on September 30, 2001.

Section 2. Tied aid credit fund authority

Section 2(a) extends the time by which the Bank would be reimbursed for tied aid credits authorized by the Bank through September 30, 2001.

Section 2(b) authorizes to be appropriated to the Tied Aid Credit Fund such sums as may be necessary to carry out the purposes of section 10 of the Act.

Section 3. Extension of authority to provide financing for the export of nonlethal defense articles or services the primary end use of which will be for civilian purposes

This section delays the termination of the amendments made by Section 1 of Public Law 103–428 until September 30, 2001.

Section 4. Clarification of procedures for denying credit based on the national interest

Section 4(1) requires the President of the United States to consult with the Committee on Banking and Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate before making a determination that the Bank should deny applications for credit for nonfinancial or noncommercial considerations where denial would clearly and importantly advance the United States policy in such areas as international terrorism, nuclear proliferation, environmental protection and human rights.

Section 4(2) requires that the President of the United States deliver in writing to the President of the Bank, his determination that the Bank should deny applications for credit in furtherance of the national interest and that the writing specify the applications or categories of applications for credit which should be denied by the Bank.
Section 5. Administrative counsel

Section 5(1) designates an attorney to serve as Assistant General Counsel for Administration under the supervision of the General Counsel of the Bank whose duties shall be concerned solely or primarily with ensuring that the directors, officers, and employees of the Bank have available appropriate legal counsel for advice on, and oversight of, issues relating to ethics, conflicts of interest, personnel matters, and other administrative law matters.

Section 6. Advisory Committee for sub-Saharan Africa

Section (a) requires that the Board of Directors of the Bank is to take prompt measures, consistent with the credit standards required by law, to promote the Bank’s financial commitments in sub-Saharan Africa by establishing an Advisory Committee. It also creates section 2(b)(9)(B) under the Act to form an Advisory Committee that shall advise the Board of Directors on the development and implementation of policies and programs to support its expansion into sub-Saharan Africa. The Advisory Committee shall make recommendations to the Bank’s Board on how it can facilitate greater support by the U.S. commercial banks for trade with sub-Saharan Africa. The Advisory Committee shall terminate 4 years after the date of enactment.

Section(b) requires that within 6 months after the date of enactment of this Act, and annually for each of the 4 years thereafter that the Board of Directors of the Bank submit to Congress a report on the steps that the Board of Directors has taken to implement section 2(b)(9)(B) of the Act in sub-Saharan Africa and any recommendations of the Advisory Committee.

Section 7. Increase in labor representatives on the Advisory Committee of the Export-Import Bank

Requires that not less than two members be appointed to the Advisory Committee of the Bank to represent labor.

Section 8. Outreach to companies

Under this section the Chairman of the Bank is to design and implement a program for the Bank that will provide information about its programs to companies which have not participated and to expand its outreach program to increase the awareness of U.S. businesses to the benefits of Eximbank’s services. The Chairman is also required to submit to Congress a report on the activities taken under this program within one year of enactment.

Section 9. Firms that have shown a commitment to reinvestment and job creation in the United States to be given preference in financial assistance determinations

Under section 9, the Board of Directors of the Bank shall prescribe such regulations and the Bank shall implement such procedures as may be appropriate to ensure that, in selecting among firms to which to provide financial assistance, preference be given to any firm that has shown a commitment to reinvestment and job creation in the United States.
In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

**EXPORT-IMPORT BANK ACT OF 1945**

**SEC. 2. (a)***

*(b)(1)(A)***

(B) It is further the policy of the United States that loans made by the Bank in all its programs shall bear interest at rates determined by the Board of Directors, consistent with the Bank’s mandate to support United States exports at rates and on terms and conditions which are fully competitive with exports of other countries, and consistent with international agreements. For the purpose of the preceding sentence, rates and terms and conditions need not be identical in all respects to those offered by foreign countries, but should be established so that the effect of such rates, terms, and conditions for all the Bank’s programs, including those for small businesses and for medium-term financing, will be to neutralize the effect of such foreign credit on international sales competition. The Bank shall consider its average cost of money as one factor in its determination of interest rates, where such consideration does not impair the Bank’s primary function of expanding United States exports through fully competitive financing. The Bank may not impose a credit application fee unless (i) the fee is competitive with the average fee charged by the Bank’s primary foreign competitors, and (ii) the borrower or the exporter is given the option of paying the fee at the outset of the loan or over the life of the loan and the present value of the fee determined under either such option is the same amount. It is also the policy of the United States that the Bank in the exercise of its functions should supplement and encourage, and not compete with, private capital; that the Bank, in determining whether to provide support for a transaction under the loan guarantee, or insurance program, or any combination thereof, shall consider the need to involve private capital in support of United States exports as well as the cost of the transaction as calculated in accordance with the requirements of the Federal Credit Reform Act of 1990; that the Bank shall accord equal opportunity to export agents and managers, independent export firms, export trading companies, and small commercial banks in the formulation and implementation of its programs; that the Bank should give emphasis to assisting new and small business entrants in the agricultural export market, and shall, in cooperation with other relevant Government agencies, including the Commodity Credit Corporation, develop a program of education to increase awareness of export opportunities among small agriculture businesses and cooperatives, that loans, so far as possible consistent with the carrying out of the purposes of subsection (a) of this section, shall generally be for specific purposes, and, in the judg-
ment of the Board of Directors, offer reasonable assurance of repayment; and that in authorizing any loan or guarantee, the Board of Directors shall take into account any serious adverse effect of such loan or guarantee on the competitive position of United States industry, the availability of materials which are in short supply in the United States, and employment in the United States, and shall give particular emphasis to be objective of strengthening the competitive position of United States exporters and thereby of expanding total United States exports. Only in cases where the President, after consultation with the Committee on Banking and Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate, 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, should the Export-Import Bank deny applications for credit for nonfinancial or noncommercial considerations. Each such determination shall be delivered in writing to the President of the Bank, shall state that the determination is made pursuant to this section, and shall specify the applications or categories of applications for credit which should be denied by the Bank in furtherance of the national interest.

* * * * * * *

(I) The Chairman of the Bank shall design and implement a program to provide information about Bank programs to companies which have not participated in Bank programs. Not later than 1 year after the date of the enactment of this subparagraph, the Chairman of the Bank shall submit to the Congress a report on the activities undertaken pursuant to this subparagraph.

(J) The Board of Directors of the Bank shall prescribe such regulations and the Bank shall implement such procedures as may be appropriate to ensure that, in selecting from among firms to which to provide financial assistance, preference be given to any firm that has shown a commitment to reinvestment and job creation in the United States.

* * * * * * *

(9)(A) The Board of Directors of the Bank shall take prompt measures, consistent with the credit standards otherwise required by law, to promote the expansion of the Bank's financial commitments in sub-Saharan Africa under the loan, guarantee, and insurance programs of the Bank.

(B)(i) The Board of Directors shall establish and use an advisory committee to advise the Board of Directors on the development and implementation of policies and programs designed to support the expansion described in subparagraph (A).

(ii) The advisory committee shall make recommendations to the Board of Directors on how the Bank can facilitate greater support by United States commercial banks for trade with sub-Saharan Africa.

(iii) The advisory committee shall terminate 4 years after the date of the enactment of this subparagraph.

* * * * * * *
SEC. 3. (a) * * *

(d)(1) * * *

(2)(A) Not less than three members appointed to the Advisory Committee shall be representative of the small business community.

(B) Not less than 2 members appointed to the Advisory Committee shall be representative of the labor community.

(e)(1) No director, officer, attorney, agent, or employee of the bank shall in any manner, directly or indirectly, participate in the deliberation upon or the determination of any question affecting such individual’s personal interests, or the interests of any corporation, partnership, or association in which such individual is directly or indirectly personally interested.

(2) The General Counsel of the Bank shall ensure that the directors, officers, and employees of the Bank have available appropriate legal counsel for advice on, and oversight of, issues relating to ethics, conflicts of interest, personnel matters, and other administrative law matters by designating an attorney to serve as Assistant General Counsel for Administration, whose duties, under the supervision of the General Counsel, shall be concerned solely or primarily with such issues.

SEC. 7. The Export-Import Bank of the United States shall continue to exercise its functions in connection with and in furtherance of its object and purposes until the close of business on September 30, 1997, but the provisions of this section shall not be construed as preventing the Bank from acquiring obligations prior to such date which mature subsequent to such date or from assuming prior to such date liability as guarantor, endorser, or acceptor of obligations which mature subsequent to such date, or from issuing either prior or subsequent to such date, for purchase by the Secretary of the Treasury or any other purchasers, its notes, debentures, bonds, or other obligations which mature subsequent to such date or from continuing as a corporate agency of the United States and exercising any of its functions subsequent to such date for purposes of orderly liquidation, including the administration of its assets and the collection of any obligations held by the Bank.

TIED AID CREDIT PROGRAM AND FUND

SEC. 10. (a) * * *

(c) TIED AID CREDIT FUND.—

(1) * * *

(2) EXPENDITURES FROM FUND.—Amounts in the Fund shall be available for grants made by the Bank under the tied aid credit program established pursuant to subsection (b) and to reimburse the Bank for the amount equal to the
concessional level of any tied aid credits authorized by the Bank [through September 30, 1997].

(e) AUTHORIZATION.—[There are authorized to be appropriated to the Fund such sums as may be necessary for each of fiscal years 1996 and 1997.] There are authorized to be appropriated to the Fund such sums as may be necessary to carry out the purposes of this section. Such sums are authorized to remain available until expended.

SECTION 1 OF THE ACT OF OCTOBER 31, 1994

AN ACT To authorize the Export-Import Bank of the United States to provide financing for the export of nonlethal defense articles and defense services the primary end use of which will be for civilian purposes.

SECTION 1. AUTHORITY TO PROVIDE FINANCING FOR THE EXPORT OF NONLETHAL DEFENSE ARTICLES OR SERVICES THE PRIMARY END USE OF WHICH WILL BE FOR CIVILIAN PURPOSES.

(a) **

(c) PERIOD OF EFFECTIVENESS.—The amendments made by this section shall remain in effect during the period beginning on the date of enactment of this Act and ending on September 30, [1997] 2001.
ADDITIONAL VIEW

H.R. 1370, reauthorizing the Export-Import Bank, should be rejected for several reasons. The claim to constitutionality is dubious. The Bank rewards special interest groups with political favors. Reallocating money from the job-producing, productive sectors of the economy to the less efficient sectors distorts credit allocation. Reauthorization of the Bank is both bad economics and bad politics.

Article I section 8 of the U.S. Constitution enumerates areas over which Congress has authority. The Ninth and Tenth Amendments further reinforce that powers not vested in the U.S. Congress are reserved to the States or to the People. The Fifth Amendment of the Constitution forbids the “taking” from the people in order to subsidize the business of the politically well-connected. It is not through free trade that the government subsidizes the politically well-connected. Rather, it is through such organizations as the Ex-Im Bank.

The U.S. government takes money from its citizens through taxes to subsidize other nations’ purchases. Very often, our government subsidizes the purchases by foreign governments, such as the People’s Republic of China or other brutal regimes, whose practices many Americans find objectionable. In fact, according to the Export-Import Bank’s 1996 Annual Report, the People’s Republic of China was the second largest recipient country of U.S. Ex-Im Bank loans or loan guarantees; American taxpayers subsidized $4.1 billion of mainland China’s purchases. It is one thing to permit voluntary exchanges between citizens of different countries but quite another to coerce the American taxpayer to subsidize the purchases of a country whose practices offend many. Such practices can best be explained by considering the way in which the Ex-Im Bank operates. Maria L. Haley, one of the five Bank directors, is a longtime “Friend of Bill” from Arkansas who ran then-Gov. Clinton’s program to attract foreign investment in the state. She advocated approval of loans to Pauline Kanchanalak (a Thai native living in Virginia) to set up Blockbuster Video stores in Bangkok, Thailand. The Ex-Im Bank has never approved financing for franchise rights; retail stores abroad do not create U.S. jobs. Ms. Kanchanalak contributed $85,000 on June 18, 1996, the same day DNC fundraiser John Huang arranged for her to be invited to a White House coffee. Mr. Huang called her that day and twice more in August. The DNC eventually returned $250,000 of Ms. Kanchanalak’s donations because of questionable foreign origin. It is clear that the Bank sometimes acts as a slush fund to repay political favors—it is, however, not their money to lend. It is the taxpayer’s money.

Rep. Walter Jones had a serious and thoughtful amendment that recognized the simple fact that it is the taxpayer’s money with which we are dealing. With a few technical perfections, the amendment should be adopted by the House. Limiting the taxpayer liabil-
ity is a small step that would neither eviscerate the Bank nor hurt our ability to compete internationally. The modest amendment merely reduces the Bank’s—and ultimately the taxpayers’—liability by 10% of its current liability.

The act of the government taking from its people to return only part of it (and that part with strings attached) is another sign of the so-called “Nanny State.” The strings are meant to induce the welfare or subsidy recipients to act in a manner that another group of individuals, through the coercive power of the State, subjectively consider desirable. A “Bully State” might be a better characterization of such a government. The Frank amendment rightfully acknowledges this fact and attempts to maintain some form of equality of discrimination.

The amendment by Rep. Bernard Sanders makes an effort to address the charge that the Bank uses taxpayer dollars from both individuals and job-producing small businesses to fund large corporations that export American jobs or downsize their workforce here. If money is to be taken from the paychecks of our citizens, then it should at least be spent on companies showing a commitment to reinvestment and job creation in the United States.

The supporters of the Export-Import Bank will point to the few examples of claimed jobs created through subsidized exports of the beneficiaries of their programs. They will be conspicuously silent on the greater number of jobs lost or forgone, dispersed throughout the country, due to the increased tax burden levied on the productive companies to support the least efficient companies living on government subsidies. The few beneficiaries of government largesse are easier to identify than the no less real, but harder to identify, losers of the government’s misguided policies.

The funding for the Export-Import Bank affords politicians the opportunity to pay back their contributors with other people’s money. By voting for reauthorization of the Bank, those individual politicians that depend on the political support of the few large companies subsidized at taxpayer expense can return the favor. This Congress should put a stop to this special interest favoritism. The Congressional Research Service, in a recent report, noted that the Bank’s “subsidized export financing raised financing costs for all borrowers by drawing on financial resources that otherwise would be available for other uses.”

Small businesses that are the engine of export growth and job creation in this country subsidize the larger corporations that are shedding jobs in America. This misallocation of credit occurs because the larger corporations have the resources to lobby politicians in order to seek special favors that are out of reach of the small businesses. These lobbyists will claim that these special interest subsidies are important to the country. Yet with nearly $900 million funding for the Bank (a part of over three billion tax dollars spent annually on export promotion activities), only $20 billion of our total U.S. exports of $700 billion are subsidized.

Arguments that we must reauthorize the Bank because it creates jobs, generates economic growth, and counterbalances the subsidies of our major trading partners is not supported by objective economic data:
<table>
<thead>
<tr>
<th>Country</th>
<th>Country’s exports subsidized</th>
<th>Rate of real GDP growth</th>
<th>Rate of unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>32</td>
<td>0.7</td>
<td>3.1</td>
</tr>
<tr>
<td>France</td>
<td>18</td>
<td>2.2</td>
<td>11.6</td>
</tr>
<tr>
<td>Canada</td>
<td>7</td>
<td>2.2</td>
<td>9.5</td>
</tr>
<tr>
<td>Germany</td>
<td>5</td>
<td>2.1</td>
<td>9.4</td>
</tr>
<tr>
<td>Italy</td>
<td>4</td>
<td>3.0</td>
<td>12</td>
</tr>
<tr>
<td>U.K.</td>
<td>3</td>
<td>2.4</td>
<td>8.2</td>
</tr>
<tr>
<td>U.S.A.</td>
<td>2</td>
<td>2.0</td>
<td>5.6</td>
</tr>
</tbody>
</table>

Source: 1 Export-Import Bank, 1995 figures; 2 Bureau of Economic and Business Affairs, 1995 figures.

It would be difficult for anyone but the most committed statists to argue that the dirigiste wonders of government bureaucrats could be demonstrated by macroeconomic statistics. However, if there is a broad relationship, it is directly inverse to the relationship the central planners envision.

In 1995, according to Export-Import Bank data, Japan subsidized 32% of its exports and France subsidized 18% while the United States only aided 2% of total exports. However in the same year, according to figures from the Bureau of Economic and Business Affairs, Japan’s real growth in Gross Domestic Product registered a paltry 0.7% against a solid 2.0% here in the U.S. and France had an unemployment rate of 11.6%, more than double the American rate of only 5.6%. Perhaps, following the logic of the Bank’s supporters, we should increase the portion of our subsidized exports to nine times the current level (with the accompanying tax increases) to double our unemployment rate, and, if that isn’t desirable, we could double that rate of subsidy (again with the increased tax burden) to cut our economic growth rate to one-third its current level. We should not jump off the bridge of special interest corporativism just because our competitors do.

“Corporate welfare does not work anywhere in the world. It does not work because it penalizes a country’s winners with excess taxes in order to fund that country’s losers with inefficiently run government programs,” testified Dr. T.J. Rodgers, President and C.E.O. of Cypress Semiconductor Corporation, before Congress in 1995. “They’ve got subsidies, we need subsidies,’ is exactly wrong. America will be much more competitive on a relative basis if we allow the nations with whom we compete to squander their taxpayers’ money, while we encourage our companies to win without subsidies. It’s like the Olympics: there comes the day when an athlete must walk alone into the area of competition. The government cannot lift the weights and run the miles that are required to be a champion—only an individual can.”

RON PAUL.
Export Subsidy vs. Real GDP Growth

% Rate of Real GDP Growth**
% of Country's Exports Subsidized*

*Source- Export-Import Bank (1995 figures)
**Source- Bureau of Economic and Business Affairs (1995 figures)
<table>
<thead>
<tr>
<th>Country</th>
<th>% of Count</th>
<th>% Rate of Real GDP Growth**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>32</td>
<td>0.7</td>
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</tr>
<tr>
<td>U.S.A.</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>
Unemployment vs. Export Subsidy

% Rate of Unemployment**
% of Country's Exports Subsidized*

Country

Japan
France
Canada
Germany
Italy
U.S.
U.S.A.

*Source: Export-Import Bank (1995 figures)
**Source: Bureau of Economic Business Affairs (1995 figures)
<table>
<thead>
<tr>
<th>% of Coun</th>
<th>% Rate of Unemployment**</th>
</tr>
</thead>
<tbody>
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<td>Japan</td>
<td>32 3.1</td>
</tr>
<tr>
<td>France</td>
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<td>7  9.5</td>
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<td>Italy</td>
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<td>U.S.A.</td>
<td>2  5.6</td>
</tr>
</tbody>
</table>

Unemployment vs. Export Subsidy
ADDITIONAL VIEWS OF HON. DOUG BEREUTER

I am pleased that the House Banking Committee overwhelmingly approved legislation extending the authorization of the Export-Import Bank (Ex-Im) into the next millennium. I am also pleased that the Committee included two provisions which I authored.

The first extends current law which allows Ex-Im participation in financing of defense articles which have civilian uses, provided there is appropriate end-use monitoring to ensure that they are truly used for civilian, non-military uses.

I am also pleased that the Committee accepted an amendment I offered in Sub-committee which requires the President to report to the House and Senate Banking Committees before rejecting financing applications based on “the Chafee amendment.”

However, there is one provision the Committee approved which I believe will prove to be problematic if enacted. Specifically, the Committee approved an amendment which will require Ex-Im to give preference to firms that have shown a commitment to job creation and reinvestment in the United States through Ex-Im prescribed regulations and procedures. Although noble sounding, this provision changes Ex-Im’s role from determining how many jobs a particular project would support to considering the commitment a corporation makes to supporting employment in the U.S. versus other countries in all areas of their corporate operations.

Requiring Ex-Im to give preference to any firm that has shown a commitment to reinvestment and job creation in the U.S. shows a misreading of what Ex-Im does best and a misunderstanding of its procedures. Ex-Im does not choose between exporters. It evaluates buyers on the basis of credit worthiness. It also applies environmental guidelines to some transactions.

Ex-Im Bank does not select from among firms and choose to give assistance to one firm over another. Ex-Im’s primary job is to judge the credit worthiness of buyers, not exporters. This is in fulfillment of Ex-Im’s Congressional mandate to find a reasonable assurance of repayment on every transaction and thus protect the taxpayer’s investment in Ex-Im. Confusion in this mandate will put taxpayer money at risk.

Ex-Im responds to market signals, not the policies of exporters. The more confusing mandates are placed upon Ex-Im, the more Ex-Im risks becoming unfocused in its policies. It is also probable that such directives will slow the Bank’s response time and thus risk the timely response necessary to win export contracts for American firms.

This amendment also raises the possibility that the “firms” referred to could apply to banks providing the loans which Ex-Im Bank guarantees. If this proves to be the case, it is unclear whether foreign banks or foreign branches of U.S. banks would still be eligible to receive Ex-Im Bank’s guarantee. This would contravene
Ex-Im Bank’s charter, specifically section 2(b)(1)(G), that non-U.S. persons cannot be discriminated against in seeking access to Bank programs. Since Ex-Im Bank makes frequent use of foreign banks as guaranteed lenders, this would imperil much of Ex-Im’s guarantee program and would also greatly hamper Ex-Im’s very effective Project Finance program, which also makes frequent use of foreign banks.

Since the wording of the amendment is broad and vague, it potentially opens Ex-Im to litigation, especially from companies who may feel that they should have been given a “preference” over other companies. This means the use of taxpayer dollars to defend Ex-Im against lawsuits, instead of using those dollars to process the export transactions that sustain and increase U.S. jobs.

DOUG BEREUTER.
ADDITIONAL VIEWS OF HON. KENNETH E. BENTSEN, JR.

As an original co-sponsor of H.R. 1370, legislation to reauthorize the Export-Import Bank (EXIMBank) of the United States, I am pleased to support this important legislation that will ensure our ability to compete abroad.

The EXIMBank has proven to be effective in selling American products. Over the last five years, the EXIMBank has helped to sell more than $75 billion in US exports to the world. In our global economy, this investment is critically important to improving our economy and improving our balance of trade. In addition, these sales ensure that American companies continue to grow and prosper. When we sell American-made products abroad, we make our companies more competitive and we ensure that American workers keep their jobs.

In Texas, the impact of these exports on our economy is significant. In my district, Ex-Im financing is felt in the petrochemical industry as it exports abroad. Texas companies sell the second highest level of exports in our nation. The EXIMBank helps to ensure that our state will continue to sell more Texas-made products.

I strongly believe that EXIMBank is a good investment that is fiscally responsible. EXIMBank and its programs only go to projects where the private insurance and finance sector will not go, in order that we may sell U.S. products in the most challenging markets. The EXIMBank assistance program is targeted to only those investments where our private capital markets have failed to serve. Further, there is no empirical evidence that EXIMBank results in a transfer of capital and economic activity abroad in and of itself. For every $1 dollar spent on EXIMBank, American companies are able to leverage $20 dollars in private capital to build new markets and promote American products. Another added benefit of this program is that when EXIMBank invests in a project, other private capital become available. This, in fact, could be viewed as capital formation.

Some have labeled this program to be corporate welfare, others have argued that it is inefficient. In a perfect world, perhaps that would be true, but we do not live in a perfect world. Under classical economics, it might be argued that we should eliminate this program. While our trading partners will continue to heavily subsidize export finance, U.S. companies would be at a competitive disadvantage and would be unable to seek contracts abroad. In name of philosophical purity, we would be no more successful than that of mercantilism in the eighteenth century.

If the United States did not invest in the EXIMBank, we would be hurting our own economy. Other nations aggressively promote the sale of their products through extensive export assistance programs. In some cases, these countries spend up to 40 percent of their export assistance on promoting the sale of domestically-made
products. Our nation invests a much smaller amount, up to 3 percent, for those projects where the private sector is not and will not be involved. I believe this targeted investment is appropriate and ensures that our investment is narrowly tailored to those projects which the private sector no longer serves.

I am a strong supporter of this legislation and will work to ensure its passage this year.

Kenneth E. Bentsen.
SUPPLEMENTAL VIEWS OF HON. BERNIE SANDERS

Preference for companies that show a commitment to reinvestment and job creation in the United States

I am very pleased that the Committee approved an amendment that directs the Export-Import Bank (Ex-Im) to establish procedures to ensure that, when selecting among firms to provide financial assistance, preference is given to any firm which has shown a commitment to reinvestment and job creation in the United States. Because the purpose of Ex-Im is to support U.S. jobs through exports, the Bank should give preference to U.S. corporations which reinvest and support jobs in the United States, as opposed to corporations which are laying off American workers only to locate production and other facilities in countries which have less expensive, unprotected workforces.

This amendment gets at the heart of the issue of the relationship between the U.S. government, the taxpayers of this country and corporate America. A number of Federal programs are being criticized, inside and outside Congress, as “corporate welfare” and these programs are being targeted for spending cuts by people with widely different political philosophies. The Export-Import Bank is one of those programs.

The Journal of Commerce reported on June 12, 1997, that Ex-Im, like the rest of the country, is presently facing a money crunch. The journal reports that Ex-Im: “faced with strong exporter demand, may run out of money this fiscal year as early as July, officials indicate. Next year, the money squeeze could be worse.” It seems clear that it is time for the Export-Import Bank to prioritize; this money squeeze should indicate to us that there is actually a need for a system of priorities, such as that in this amendment, to ensure that companies which are the most committed to jobs in the U.S. are given preference over companies that are not.

It is becoming too common for U.S. corporations, including corporations which are supported by Ex-Im, to downsize their U.S. workforce and move their production facilities to take advantage of cheap labor in other countries. According to information from Ex-Im, among the top 25 companies which receive assistance from Ex-Im are Boeing, General Electric, and AT&T. A brief look at the employment practices of these corporations underscores the need for an amendment which gives preference to corporations that show a commitment to employment in the U.S.

Boeing is the top recipient of Ex-Im loans and guarantees. Reports indicate that in 1990 Boeing had 155,900 employees. In 1996, it had 103,600 employees—a decline of 52,300 jobs during that period. In other words, it laid off ⅓ of its workforce, despite being the top recipient of Ex-Im aid.

General Electric (GE) is listed as the number two recipient of Ex-Im aid. In 1975 GE had 667,000 American workers. Twenty years
later, it had 398,000, a decline of 269,000 jobs. General Electric is well known for its policies of moving GE jobs to anyplace in the world where it can get cheap labor—Mexico, China and other poor Third World countries.

As for AT&T, in 1995 AT&T laid off 40,000 workers. Interestingly enough, reports show that in that same year, AT&T provided its CEO, Robert Allen, with $15 million in options plus a $11 million grant.

The point here is that the entire approach of Ex-Im in terms of job creation is too narrow. They approach the idea of “jobs through exports” on a project-by-project basis, and ignore the totality of what the company is doing. This amendment, on the other hand, expands Ex-Im’s focus when making the determination as to how many jobs a transaction will support. This amendment directs the Export-Import Bank to look at the totality of the situation regarding a company’s commitment to job creation in the United States, and not just a particular project. In other words, if there is a company that is showing a commitment to job creation and reinvestment in the United States, then that company should receive preference for assistance.

At a time when the Congress is working very hard to balance the budget, it seems only right that if U.S. taxpayer funds are to be used to support U.S. corporations’ exports, then incentive and priority must be given to those corporations to reinvest and support jobs in the United States. A preference system, as provided by this amendment, would provide such an incentive to corporations, while at the same time, allowing the Bank some discretion in implementation, to ensure that both the purpose of the Bank and this amendment are fulfilled.

Two representatives from the labor community on the Advisory Board of the Export-Import Bank

The Committee also approved an amendment which directs the Export-Import Bank to include upon its Advisory Committee no less than two representatives from the labor community. It is my expectation that these positions would be filled by representatives of the AFL–CIO.

Because the purpose of the Export-Import Bank is to support U.S. jobs through exports, it is important to have two members representing the American workforce on the Advisory Committee to ensure that the influence of the Advisory Committee is more evenly balanced for the sake of U.S. workers.

Bernie Sanders.