



The Daily Dish

# A Path Forward for Ex-Im

DOUGLAS HOLTZ-EAKIN | NOVEMBER 14, 2019

## Eakinomics: A Path Forward for Ex-Im

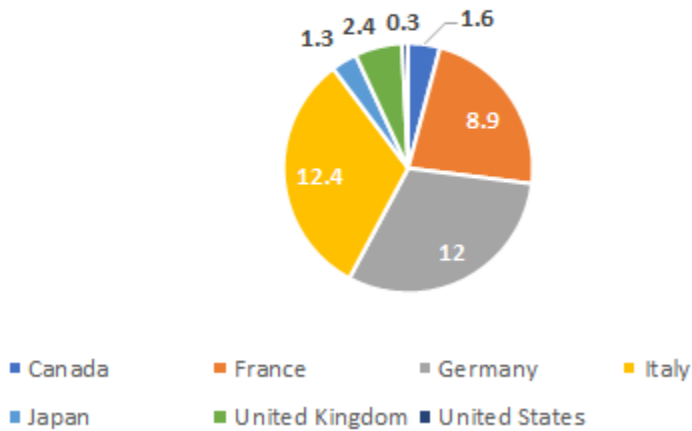
Today the House of Representatives is expected to take up the United States Export Finance Agency Act of 2019, the most important feature of which is to rename the Export-Import Bank the United States Export Finance Agency. At least we won't have to fight over Ex-Im anymore! Bring on the EFA wars.

The Act would authorize the EFA for the next 10 years, increase its aggregate cap for loans, insurance, and guarantees to \$175 billion, and provide emergency procedures to act when there is not a quorum on the Board of Directors. But it would also create an Office of Financing for Renewable Energy, Energy Efficiency, and Energy Storage Exports and set a requirement that no less than 5 percent of lending authority be made available for this purpose each fiscal year. There would also be a whole raft of green bureaucracy including environmental assessments, Environmental and Social Due Diligence Procedures and Guidelines (ESPGs), estimated amounts of CO<sub>2</sub> emissions expected to be produced from pending projects, and so forth. These will likely have essentially zero environmental impact and will only distract from the EFA's mission.

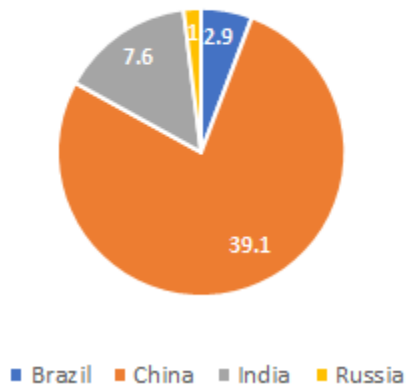
I and other AAF experts have written [extensively](#) on Ex-Im in the past, and I continue to believe that there is a valuable, targeted role for Ex-Im/EFA. Opponents argue that there is no place for a government-financed intervention in competitive private markets. Of course, there is no role for government at all in textbook competitive markets. But in real markets, there are sovereign governments that require the involvement of an Export Credit Agency like the EFA in order for a company to even *bid* on a project. Often those same governments are strategic targets for purposes of international affairs and national security. If the United States is going to pursue its interests, sell a nuclear reactor or aircraft, or otherwise engage in the developing world it will need an EFA.

Since more than [60](#) countries have ECAs, smaller U.S. businesses — that have the hardest time getting trade finance from the commercial banks — will need a way to compete on a level playing field. In 2018 the United States financed [\\$0.3 billion](#) in export loans — just 1 percent of loans made by G7 countries, and a figure that is dwarfed by the [\\$39.1 billion](#) in government assistance that Chinese companies received from their state ECA. From this perspective, the Ex-Im Bank is [a necessary evil](#).

2018 G7 ECA Volumes  
(billions USD)



2018 BRIC ECA Volumes  
(billions USD)



The White House has indicated that it opposes the House bill, with the president preferring a clean, 10-year reauthorization. Fair enough. But it would still be wise for the House to start the process by passing the Act this week, thus allowing the Senate to modify the bill enough to get the president's signature. The name Ex-Im may be a thing of the past, but there is a place for the EFA in the future.