

Export-Import Bank: Industry Group Sees NEI Opportunities Through Reforms at Ex-Im Bank, TDA, OPIC

The president of the Coalition for Employment through Exports July 9 sketched opportunities for contributions to the National Export Initiative through reforms at the Export-Import Bank, the Trade Development Agency, and the Overseas Private Investment Corporation (OPIC). Speaking with reporters at a meeting hosted by the National Foreign Trade Council, John Hardy, president of the coalition, said the greatest potential for the president's National Export Initiative resides within the Export-Import Bank if it can be unleashed to better compete with rival export credit agencies on a level playing field.

The major constraints faced by the bank are: projects financed by the bank must have 85 percent U.S.-produced content, products from these projects must be shipped by U.S. carriers, and the requirement of economic impact studies that have quashed funding because of the potential for exported capital goods to be used to create products that compete with U.S. products. The Comprehensive Iran Sanctions Accountability, and Divestment Act (H.R. 2194), signed into law July 1, requires parties seeking Ex-Im Bank funding to certify that their sub-suppliers are compliant with the law, and many are reluctant to do so because of potential liabilities. The questionnaire that covers this law has not been finalized but has created concerns in the trade community because of the certification requirement in an early draft, Hardy said.

The Trade Development Agency is the smallest of the three entities with an annual 2010 budget of only \$55 million, but Hardy said the agency could handle a much larger program budget to aggressively assist U.S. exporters with feasibility studies, providing seed capital, and hosting reverse trade missions, among other initiatives.

OPIC has sidelined itself since the 1980s, Hardy said, when it helped develop gas-powered energy plants. An opportunity for reform now exists, if steps are taken by the administration, through a rewriting of the Foreign Assistance Act. Strict environmental standards currently prevent OPIC from financing many exports, he said, calling into question whether OPIC is targeting the right areas and whether it has the right criteria to evaluate itself. He noted, however, that the new OPIC president has been on the job for only a week.

Ex-Im Bank, OECD Compliance

In his remarks, Hardy often returned to the level-playing-field issue he said plagues Export-Import Bank operations. The bank is bound by the terms and conditions agreed to by members of the Organization of Economic Cooperation and Development (OECD) and rates itself highly on that basis, Hardy said.

The export credit agencies of Brazil, China, and India, however, are not bound by those terms. This gives them greater flexibility, he said, highlighting Chinese deals in Africa and South

America. The Export-Import Bank can, however, match a non-OECD-complying offer and is currently doing so in Africa.

Nichole Westin, director of government operations for the coalition, noted that OECD members other than the United States frequently bend the rules.

National Content Rule, Reauthorization

The global supply chain for inputs to production poses problems for compliance with the 85 percent U.S. content rule, especially when competing with Japan, which has a 30 percent rule, and other nations that do not come close to the Ex-Im Bank's self-imposed national content rule. Australia and Canada, Hardy said, are considering no national interest principle at all, with the exception where financing is in the national interest.

Hardy said the administration needs to be more proactive and work out an accommodation with labor on the U.S.-content issue, as well as deal with Congress on the requirement that U.S. ships be used. Westin noted as an example that General Electric wind turbines will not fit on any U.S. commercial transport vessel but have no blanket waiver from Transportation Department's Maritime Administration.

The GE wind turbine and other high-value exports should be the focus of bank projects, Hardy said, noting that U.S. technology, engineering, industrial processes, and manufacturing can successfully compete on a level playing field.

Hardy and Westin said the bank's charter expires in September 2011, so they anticipate reauthorization legislation early next year that could incorporate reforms.