Congress should reauthorize the Export-Import Bank to continue its crucial role in U.S. foreign policy

Recent weeks have seen debates in Congress over the future of the Export-Import Bank, a government agency that provides financing for exporters. While the Bank's opponents accuse it of 'corporate welfare', **Sarah Cleeland Knight** *argues that its benefits are not just economic. She writes that since its inception 80 years ago, the Export-Import Bank has kept firms engaged in countries where the U.S. would like to effect change, and that for the continuation of this important role, it should be reauthorized by Congress.*

It is baffling to watch the handwringing in Congress over the future of the Export-Import Bank, a quasi-independent government body that provides financing to American exporters. Both sides of the debate, the Bank's opponents and its supporters, are missing the big picture in emphasizing only the economic costs and benefits of the Bank's activities. When one considers the crucial role the Bank has played in the history of US foreign policy, keeping firms engaged in precisely those countries where the US would most like to effect change, the choice is clear. In these turbulent times in international politics, Congress should support the Export-Import Bank for strategic reasons.

The debate over the Export-Import Bank's future reached a crescendo during the last weeks of summer, with expiration of the Bank's authorization looming at the end of September. The current proposal for a nine-month reauthorization is merely a stop-gap measure and indicates the debate will linger for some time. Democrats are largely unified, though not particularly vocal, in favor of the Bank's reauthorization, but the issue has split the Republican Party. On the one side, the Tea Party and libertarian groups have been pressing for expiration of the Bank's charter, while on the other side pro-business Republicans have been mobilizing in favor of the Bank's reauthorization.

The primary agitator for the Bank's demise is Heritage Action for America, a group that pledges to "hold Congress accountable to conservative principles." If you visit Heritage Action's Web site , you will see, front and center, a video urging the American people to call their representatives in Congress to voice opposition to the Bank's "corporate welfare" and "crony capitalism." Kudos to Heritage Action for America for making a rather arcane issue such as export finance so salient to the American people (their publications on the Bank have garnered hundreds and in some cases even thousands of Facebook "likes"), but Heritage's arguments focus exclusively on the economic costs of the Bank to American taxpayers. In essence, Heritage is arguing that taxpayer funds allocated to the Bank would be put to better use if allowed to circulate freely within the economy.

During #EXIMConf2014 panel on Global Challenges and Trends in April, @JonHuntsman & Jane Harman discuss US economic strength. Credit: @EximBankUS

Bank supporters, including the US Chamber of Commerce and the Business Roundtable, also rely on purely economic arguments in favor of the Export-Import Bank's future. They stress that the Bank makes loans, not grants, and in 2012-13, the Bank returned over a billion dollars to the US Treasury after covering all its expenses. The US Chamber's message also focuses on jobs and estimates that 200,000 American jobs will be lost if the Bank closes. Without the Export-Import Bank, so the argument goes, US firms will export less, and jobs that depend on those exports will also evaporate. (BTW, the US Chamber needs to raise the stakes in their social media war with Heritage Action, as their Export-Import Bank publications have received only a handful of Facebook "likes.")

These purely economic arguments are complicated, and even Forbes admits that it is really difficult to assess whether the Bank's opponents or supporters are correct in their assumptions and conclusions. But more importantly, this debate misses the big picture of why the Export-Import Bank was created in the first place in 1934, as a strategic initiative in US foreign policy. One only has to look at this brief history of the Bank to understand that it focuses on financing exports to precisely those countries where the US would most like to effect change. In the 1940s, the Bank played a key role in financing the Marshall Plan to rebuild Europe after the devastation of World War II. During the Cold War, the Bank financed agricultural exports to the Soviet Union and Eastern Europe to project the image of a benevolent US to those living under Communism. In more recent decades, Bank financing has focused on rapidly developing and politically important countries such as Brazil, China, and Russia. The Bank's largest loan to date was in 2012 to a company in Saudi Arabia, a key ally in the fight against the Islamic State of Iraq and Syria (ISIS).

One would be hard-pressed to argue, in these turbulent times, that the US no longer has a strategic interest in economic engagement with these regions of the world. Could US firms continue to export without the Export-Import Bank's help? Possibly. But why, when so many other countries offer the same kinds of assistance to their own companies, countries that have their own strategic priorities, would we want to risk finding out if the answer is no?

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Note: This article gives the views of the author, and not the position of USApp– American Politics and Policy, nor of the London School of Economics.

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