



Statement for the Record
Of the
BAFT (Bankers Association for Finance and Trade)
Before the
Committee on Banking, Housing, and Urban Affairs
Of the
United States Senate
On
June 27, 2019

Chairman Crapo, Ranking Member Brown, and Members of the Committee:

BAFT (Bankers Association for Finance and Trade) is grateful for the opportunity to provide a statement for the record for the Committee’s hearing on the “Oversight and Reauthorization of the Export-Import Bank of the United States.”

BAFT is an international financial services industry association whose membership includes nearly 300 financial institutions and solution providers throughout the global community. Our members are active in trade finance and many of them work with the Export-Import Bank (EXIM) on a daily basis. Trade finance programs offered and supported by EXIM are crucial to international commerce and the growth of the U.S. economy. Support for a competitive and efficient EXIM is also vital to the financing of international trade.

EXIM is a necessary tool to support U.S. jobs and helps American companies compete globally. Passing a long-term reauthorization will provide market certainty and ensure that U.S. businesses can maintain their competitiveness in the global marketplace. As the committee considers EXIM’s reauthorization, we urge you seize this moment not just to renew its operating charter, but to both find efficiencies and remove unnecessary obstacles to this vital agency that strengthens U.S. competitiveness.

BAFT applauded the Senate’s action last month to confirm three nominees to the EXIM Board and is pleased that EXIM is now fully operational for the first time since it was reauthorized in 2015. In the nearly four years that the EXIM Board quorum lapsed, U.S. exporters were at a significant disadvantage to competitors around the world that have government-backed export credit agencies (ECAs) supporting their sales. An estimated \$40 billion worth of transactions could not be completed. These lost sales negatively affected the exporting companies, and

hundreds of other companies in their supply chain that provide inputs and services to them. At a time of increasing global competition, the U.S. cannot afford another quorum lapse and thus we would urge the committee to find a permanent solution.

The private sector trade finance lending community provides significant support to U.S. exporters. Banks turn to EXIM to add credit capacity to existing limits, mitigate geopolitical and credit risks in an effort to better enable their corporate clients to compete with foreign companies for export trade opportunities. Smaller financial institutions are even more limited in their ability and capacity to take on foreign risk. EXIM helps alleviate these internal and external limitations on commercial loan portfolios by filling gaps in private sector credit capacity. They also provide risk mitigation tools to help facilitate liquidity, act as the “Lender of Last Resort” when commercial financing is unavailable, or when U.S. exporters need ECA support to avoid being disadvantaged against foreign ECA-supported competition. Without access to all of the various EXIM programs, private-sector lenders cannot provide the required financing or acceptable financing terms, resulting in lost sales for their clients.

Small and medium sized (SME) businesses typically rely on trade finance to a greater extent than larger corporates to get their product or service to market. Given that 98 percent of America’s exporters are small businesses, the importance of having access to trade finance cannot be underestimated, and we support enhanced efforts by EXIM to serve this constituency. Many SMEs are also dependent on sales to large U.S. exporters that rely on financing from EXIM. Limitations on large U.S. exporters have had a cascading negative impact on the small businesses that supply parts, services and intermediate products as part of their exports.

Since the last EXIM reauthorization, Foreign ECAs have continued to grow and expand the scope of their work. Today, EXIM is one of more than 100 ECAs around the world that each help their home-country exporters compete in the global markets. China remains the world’s largest provider of official export credit, with more medium to long-term export credit, than the rest of the world combined. EXIM must also have the capacity to support the growth of U.S. businesses to compete over time as foreign ECAs have afforded to foreign exporters.

As Congress makes progress to ensure greater economic growth and to improve the competitiveness of the U.S. business community, corresponding steps to enhance EXIM’s global competitiveness will have a marked positive impact. With that in mind, BAFT urges the committee to move swiftly to pass a long-term reauthorization, prevent unnecessary disruptions to its activities by permanently resolving the quorum issue; increase EXIM’s statutory lending authority to align with market demands, and avoid unnecessary administrative roadblocks that will negatively affect the competitiveness of U.S. companies.

Thank you again for the privilege of providing the Committee with our views.