



EXIM RENEWAL IS ESSENTIAL FOR US BUSINESS IN IRAQ

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POLICY ISSUE AND RECOMMENDATION

Issue

The Export Import Bank of the United States (ExIm) is the official Export Credit Agency (ECA) of the United States. Exim's mission is to support American jobs by facilitating the export of US goods and services. Congress approved the appointment of the Chairman and board members required to form a quorum in May, allowing ExIm to resume authorizing loans over \$10 million. EXIM now faces expiration of its authorization in September 2019. If the Bank is not renewed, all operations will cease, and US exporters will immediately lose access to the services ExIm provides.

Historically, the Bank has been renewed every few years by Congress but recently has become a political lightning rod facing potential shut down or reduction in its scope of services.

This is an untenable situation for US business, not faced by other countries' ECAs.

American companies bidding on major contracts are usually required to include financing terms which would not be possible without ECA support.

ExIm estimates that American exporters missed out on global projects in excess of \$40 billion while ExIm was in suspension over the last four years. The competitive disadvantage inflicted on American companies by the non-availability of ExIm loans is patent. Just in Iraq alone, foreign competitors to American businesses have been supported by their countries' ECAs in each of the following instances in which contracts went to the foreign competitors.¹

- Ministry of Electricity projects implemented by ABB: \$500 million guarantee of Swedish government ECA, Swedish EKN;
- Ministry of Electricity projects implemented by Siemens: \$500 million combined guarantee of German Export Guarantee Corporation and Standard Chartered Bank;
- Ministry of Electricity projects implemented by Siemens: International Trade Banks' lending of \$500 million guaranteed by German Export Guarantee Corporation;
- Ministry of Electricity Al-Nasiriya and Al-Samawa power stations: \$500 million guarantee by British Export Bank; and

¹ Source: The Federal State Budget for the Republic of Iraq for the Fiscal Year 2018, Chapter Two (Expenditures and Deficit) at pp. 8-10, available at <http://www.iraq-jccme.jp/pdf/archives/20180420-01/2018-budget-En.pdf>

AMERICAN CHAMBER OF COMMERCE-IRAQ

- Infrastructure projects: \$500 million guarantee of China Export Insurance Corporation.

ExIm opposition says that the bank represents “crony capitalism” benefitting multinationals. Further, they say that ExIm crowds out private export financing instead of being a lender of last resort. There are also arguments against supporting business in specific sectors – e.g. fossil fuel driven energy production, environmentally sensitive projects, national security.

But there is bipartisan support for renewal of ExIm as well. The current renewal proposals put forth aim to give greater stability and wider reach to ExIm.

AmCham-Iraq’s focus is based on its experience that ExIm makes deals happen that would not and the projection of American strength to foreign buyers’ when it is fully operational and engaged.

We support extension of the Bank’s renewal for a longer period (either 7 or 10 years) instead of the previous 4-year extensions. Short term extensions which simply kick the can down the road are stop gap measures and create uncertainty for business. The AmCham promotes a sufficiently long renewal to provide confidence to Iraqi buyers comparing ECA supported financing terms offered by foreign competitors.

Recommendation

The American Chamber of Commerce in Iraq strongly supports Congressional approval of legislation to renew ExIm’s charter for a longer term to compete with foreign suppliers.