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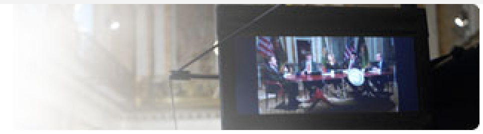

Remarks by Secretary Jacob J. Lew at the U.S. Export Import Bank Annual Conference

4/8/2016

As Prepared for Delivery

WASHINGTON - Thank you for that introduction. It is a pleasure to be here, and I would like to thank Fred Hochberg and his staff for hosting this event. This gathering is a testament to the broad support for Ex-Im, which was apparent in the final vote tallies for Ex-Im's reauthorization. Given the critical role that Ex-Im plays in supporting U.S. exports, getting the Bank fully back in business has been a priority for this Administration. And it should be a priority for the Senate, as well, which is why I urge the Senate to approve a new member to Ex-Im's Board of Directors as soon as possible.

Before speaking further about Ex-Im and the role that it plays in the U.S. economy, I would like to take a minute to review economic developments since the Administration took office amid a global financial crisis. Since 2009, our economy has seen sustained growth. The federal budget deficit has declined by almost three quarters as a share of GDP, and businesses have added more than 14 million jobs, producing the longest streak of job growth on record and cutting the unemployment rate in half from its 2009 peak. These economic numbers are strong, but the Administration has also worked hard to make sure these headline gains are shared among all Americans. We instituted financial sector reforms to prevent the excesses that led to the last financial crisis and the hardship it brought to ordinary Americans. We reformed the healthcare system, finally making healthcare affordable for all Americans. And we negotiated the Trans-Pacific Partnership that—once passed by Congress and signed by the President—will open vital markets in the Asia-Pacific region to the goods and services produced by U.S. workers.

Exports played an important role in the U.S. recovery from the financial crisis. They also are a major contributor to U.S. jobs, supporting nearly 12 million of them in 2015.

As the people in this room know, international competition is tough, and becomes even tougher when your competitors are benefitting from generous support from their governments. Ex-Im's job is to make sure that U.S. exporters and their workers are able to compete on a level playing field. The support that Ex-Im provides is essential to offset the advantage that foreign competitors receive from their governments, so U.S. exporters can compete on the basis of the quality and price of their products rather than the quantity of government-supported financing.

Ex-Im also plays an important role in filling market gaps. This is particularly essential in emerging markets, where risks may be higher and potential customers may lack access to commercial finance. It is also the case for our small and medium-sized enterprises, which often face challenges accessing the capital they need to export. Less frequently, but just as importantly, Ex-Im provides liquidity during times of financial stress. We saw this during the financial crisis, when Ex-Im stepped in to provide an important and necessary financing backstop for U.S. exporters.

In each of these circumstances, Ex-Im is essential in providing support that helps U.S. businesses remain competitive in an ever-changing landscape of global competition.

We need to promote a level playing field for U.S. exporters and fill gaps that the market won't. But we also need to make sure that we aren't participating in a "race to the bottom" in which governments seek to outspend each other to the detriment of taxpayers and benefit of foreign buyers. To that end, Ex-Im's work is complemented by U.S. participation in the international guidelines that regulate government export financing. Housed at the OECD, this framework is known as the Arrangement on Officially Supported Export Credits. Over forty years ago, OECD members recognized that competing on the basis of government financing was a lose-lose proposition, and that multilateral disciplines on this financing were the only practical way to address it. U.S. participation in the Arrangement helps to neutralize the effect of government financing on export competition so that exporters can compete on the basis of the quality and price of their products.

In addition to promoting fiscal prudence and a level playing field, the Arrangement helps to maximize private participation in export finance. I think we all agree that the first source of financing for any transaction should be the private sector, if such financing is available. Treasury has led the U.S. government's efforts to make Arrangement terms and conditions as market-oriented as possible to help ensure that government support is only sought when private financing is unavailable. For example, once the Aircraft Sector Understanding, which Treasury negotiated in 2011, went into full effect, we saw buyers of aircraft turn increasingly toward commercial market financing—contributing to a deeper and more liquid market for aircraft finance.

The Arrangement has been successful in disciplining government export financing among OECD countries. But we have seen increasing growth in such financing from emerging markets, which are not part of the OECD Arrangement. For example, China has come to provide more export financing than the G-7 countries combined. This is why in 2012 President Obama and then-Chinese Vice-President, now President, Xi agreed to negotiate a new Arrangement, one that would apply to all major providers of official export financing. And the growth in export financing from other emerging markets, such as India, Brazil, and Russia also points to the need for a new Arrangement that governs non-OECD providers of export financing.

Since 2012, the International Working Group on Export Credits, or IWG, has engaged in the process of developing new international export financing guidelines with the goal of achieving the same successes as the Arrangement: a level playing field for U.S. exporters, and maximum private participation in export finance.

As the world's largest provider of government-supported export financing, China's participation in new international guidelines is critical to the IWG's ultimate success, and has been a key point of emphasis in the bilateral relationship. While China views the need for discipline on government-supported export financing very differently from the United States, we continue to press this issue at all levels and through all appropriate channels. This includes the U.S.–China Strategic and Economic Dialogue later this year, where achieving progress on the international guidelines will be a priority.

Establishing these guidelines is an important U.S. priority, one that I believe is critical to the long-term competitiveness of U.S. exporters and the U.S. economy. While the Administration is pursuing this goal with vigor, Ex-Im again plays a critical role in demonstrating to our trading partners that U.S. exporters can compete effectively in foreign markets. We will not settle for less.

I believe the Administration's track record demonstrates its commitment to a vision of an interconnected global economy, one that is less protectionist, less mercantilist, and has more trade. While we work towards our vision of the world as we would like it to be, we must also live in the world as it is. Even as we pursue disciplines that will level the playing field in the long run, Ex-Im will continue to play a vital role in bridging the financing gap. As long as U.S. exporters are contending with competitors backed by government export financing and the unavailability of private financing, Ex-Im remains a critical tool for the Administration's goals of supporting U.S. exporters and promoting global trade. So we need a strong Ex-Im that is optimized in its ability to do its job. U.S. companies and exporters have proven to be among the best in the world, and they should be able to compete on a level playing field—both today, and in the long run.

Thank you.

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