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AFL-CIO
BEFORE THE U.S. HOUSE COMMITTEE ON FINANCIAL SERVICES
“PROMOTING AMERICAN JOBS: REAUTHORIZATION OF THE U.S. EXPORT-
IMPORT BANK”**

JUNE 4, 2019

Thank you, Congresswoman Waters, Ranking Member McHenry and Members of this Committee for the opportunity to testify before you today on the vital importance of the U.S. Export-Import Bank (Ex-Im Bank) in promoting American jobs.

The International Association of Machinists and Aerospace Workers (“IAM”) represents hundreds of thousands of workers in North America. IAM members work in a variety of industries, including manufacturing, aerospace, electronics, shipbuilding, defense, woodworking and transportation, just to name a few. Our members produce, service, assemble and transport products, parts and assemblies that create the global economy. They work for the leading export companies in the U.S. including Boeing, United Technologies, John Deere, General Electric, Lockheed as well as numerous others. Given our members’ work in the export industries, we are uniquely positioned to share with you our strong support for reauthorization of Ex-Im so that it can continue its critical mission supporting U.S. jobs by financing exports that meet strong U.S. employment policy requirements, like those concerning domestic content.

We need a fully funded and re-authorized Ex-Im Bank now more than ever. Global competition has never been more intense and the stakes for our economy have never been higher as U.S. firms and U.S. workers struggle to compete in today’s global marketplace. Other

countries have developed comprehensive policies to build and retain their own export industries. For example, the European Commission developed its Strategic Aerospace Review for the 21st Century (Star 21) containing recommendations concerning Europe's aerospace industry. China has relied on a comprehensive industrial policy to promote the development of several industries (including aerospace) and increase employment. Many other countries have implemented their own policies and institutions that promote domestic industries and employment, including Germany, France, Italy and Japan to name a few.

Unlike these other countries, the U.S. has only one government institution that supports U.S. exporters and U.S. workers: the Ex-Im Bank. Since the Ex-Im Bank began in the 1930s, its mission has been "to assist in financing the export of U.S. goods and services to international markets," enabling "large and small companies to turn export opportunities into real sales that help to maintain and create U.S. jobs and contribute to a stronger national economy." The Bank's efforts have been stymied over the past few years however, first by delaying reauthorization and then by preventing the existence of a quorum of its Board of Directors. During this period companies like GE announced the closure of its facility in Waukesha, Wisconsin where 350 jobs, many of them represented by the IAM, would be lost. "GE said Congress was to blame for the closure because it has failed to authorize the charter of the Ex-Im Bank."¹

While uncertainty over the Ex-Im Bank's future continues, export credit agencies (ECA) in other countries are becoming more aggressive. In addition to targeting projects which promote their own domestic companies and workers, other ECAs are targeting U.S. companies to provide financing support to them, instead of using the Ex-Im Bank. In return for their finance support,

¹ <http://archive.jsonline.com/business/workers-in-waukesha-losing-jobs-as-ge-takes-strong-stance-in-ex-im-bank-dispute-b99588640z1-330496431.html/>

these ECAs are seeking the transfer of U.S. manufacturing work that would have been performed in the U.S. had finance support been available from the Ex-Im Bank. Aerospace is one of the principal targets of foreign ECAs, as noted in Ex-Im’s Report on Global Export Credit

Competition:

Many foreign ECAs are also using export finance to target the aerospace industry. Both UKEF (United Kingdom) and SACE (Italy) have offered to support Boeing aircraft despite its aircraft having relatively low national content. These efforts aim to lure Boeing to consider U.K. and Italian suppliers, thereby pulling suppliers away from the United States and to Europe. In September 2017, NEXI (Japan) and UKEF (United Kingdom) signed a co-financing (or reinsurance) agreement. Given UKEF’s recent financing of Boeing aircraft and EXIM’s own history co-financing aircraft with NEXI, this new agreement will likely be used to expand both the British and Japanese aerospace sectors.²

China’s use of ECAs is of a special concern given the massive amount of financing that they are providing their export industries and the lack of transparency. What we do know is of great concern. As part of its “Made in China 2025” policy and its Belt and Road Initiative (BRI) which focuses on developing robust export industries that employs thousands of workers, “it has provided export and investment insurance totaling approximately \$510 billion to BRI-related projects since its launch in 2013.” It is no secret that China is trying to enter the large commercial aircraft industry, and its growing reliance on its ECAs is and will continue to be a major part of its strategy.

If the Ex-Im Bank is not re-authorized in a timely fashion, U.S. workers and their communities will lose and lose big. While companies may be able to find financing for their

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https://www.exim.gov/sites/default/files/reports/competitiveness_reports/2017/REVISED_EXIM-CompetitivenessReport_508C.pdf

exports, for workers, the real question is whether exports will be manufactured in the U.S., or in other countries.

Some critics of the Ex-Im Bank want to eliminate export credit financing entirely. They argue that if no country can engage in this activity, no country will be able to use ECAs to promote their own industries and employment. Their criticism is based on two presumptions. First, they presume that all countries will agree to eliminate export credit agencies, which is seriously doubtful. Second, they presume that the elimination of ECAs will eliminate other countries' efforts to support their own industries and employment. Unlike the U.S., however, as Europe's Star 21 and China's Made in China 2025 efforts clearly indicate, other countries utilize comprehensive policies that are not limited to ECAs to support their own industries and employment.

Other critics are not content to wait until all countries agree to eliminate export financing. They want to see the Ex-Im Bank out of business now. Without the Ex-Im Banks's financing, U.S. workers will suffer--as one of the major incentives for U.S. companies to keep manufacturing in the U.S. is eliminated. As Europe and China become more aggressive in developing comprehensive programs to increase manufacturing in industries like aerospace, why would we want to eliminate one of the only tools the U.S. has to effectively compete with them? Why would we want to unilaterally disarm in the race to maintain and strengthen a manufacturing sector that has lost nearly 5 million jobs over the past 20 years? Why would we hurt one of our remaining engines of export growth, the U.S. aerospace industry?

As indicated at the outset, the IAM's support for the Ex-Im Bank is directly linked to strong public policies that support U.S. employment, like domestic content and shipping requirements. Strong domestic content means that a greater percentage of the product for export

is made here in the U.S. Strong shipping requirements mean that U.S. workers on U.S. flagged ships, not foreign workers on foreign flagged ships, will transport the Ex-Im Bank financed exports. We support efforts to strengthen these and other Ex-Im Bank policies directly and indirectly related to supporting good jobs in the U.S., not in other countries.

Past efforts to weaken these essential public policies should continue to be rejected. If domestic content and U.S. shipping requirements are weakened in anyway, U.S. workers will suffer. Moreover, U.S. taxpayers (including the U.S. workers whose jobs are at stake) should not have to question whether their hard earned money is going to create jobs here at home or in other countries.

The IAM strongly urges this Committee to act as quickly as possible to fully reauthorize the Ex-Im Bank with strong U.S. employment policies.