



Prepared Testimony  
Of

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on behalf of the

United Steelworkers of America

before the

House Subcommittee on International  
Monetary Policy and Trade

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Mr. Chairman, Ranking Member Sanders, Members of the Committee. I want to thank you for giving me the opportunity to testify before you today on the reauthorization of the Export-Import Bank. This is a key issue facing this Congress and I look forward to working with you and your Subcommittee as the reauthorization process proceeds.

I appear before you today in several capacities. First, while I recently retired as President of the United Steelworkers of America, I remain deeply involved in the policy formulation and implementation activities of that union. And, I continue to serve as a member of the Executive Council of the AFL-CIO. Second, I recently served as a member of the Congressionally-created Federal Trade Deficit Review Commission – a Commission charged with reporting to Congress on the causes, consequences and potential policy approaches necessary to address our nation’s huge trade deficit. Finally, I am honored to have been appointed to the recently formed U.S.-China Security Review Commission. It is in these capacities that I would like to address you this morning.

The Ex-Im Bank has the laudable goal of seeking to create jobs through exports. Indeed, the Ex-Im Bank claims that in the 65 years that it has been in existence, it has supported more than \$300 billion in U.S. exports. The Ex-Im Bank claims that it is “focusing on critical areas such as emphasizing exports to developing countries, aggressively countering trade subsidies of other governments, stimulating small business transactions, promoting the export of environmentally beneficial goods and services, and expanding project finance capabilities.”

I do believe that there is sometimes a need for our government to provide export financing to promote our interests and to combat the financing activities of other countries.

Unfortunately, the evidence of Ex-Im Bank’s success is sorely lacking. Indeed, it appears that, in many ways, the Ex-Im Bank is undermining the very goals that it claims underlie its actions.

Last year, as a member of the Federal Trade Deficit Review Commission, I was joined by a majority of the Commissioners in concluding that our nation’s trade deficit was unsustainable. While differing on the point at which it would become unsustainable, or what policy approaches we should take – this was, indeed, a very important conclusion to be reached by the Commission which included several officials chosen by President Bush to be chief policy players in his Administration: Secretary of Defense Rumsfeld, USTR Zoellick and Council of Economic Advisors nominee Anne Krueger. I should also point out that former USTR Carla Hills also served on this Commission.

Last year, our nation’s trade deficit in goods reached almost \$450 billion. While free trade ideologues are quick to claim that every \$1 billion in exports creates somewhere between 13,000 and 20,000 jobs, they refuse to state the alternative: the flood of imports into our country

takes a toll on jobs as well. Using this same equation, last year's trade deficit cost the U.S. between 5.8 and 9 million jobs.

Now we all know that despite a slowing economy, we didn't have that many people out of work – most of those adversely impacted by trade were absorbed back into the economy in other jobs. But, unfortunately, the majority of those who lost their jobs found themselves in new jobs that paid lower wages and often came with lower benefits, if they paid benefits at all.

In the last decade, according to *Time Magazine*, "just 10 companies account(ed) for half of the \$70 billion in financial deals identified in the Export-Import Bank's annual reports. *Time* went on to note that "The justification for much of this welfare is that the U.S. government is creating jobs. Over the past six years, Congress appropriated \$5 billion to run the Export-Import Bank of the United States, which subsidizes companies that sell goods abroad. James A. Harmon, president and chairman, puts it this way: "American workers...have higher-quality, better-paying jobs, thanks to Eximbank's financing." But the numbers at the bank's five biggest beneficiaries--AT&T, Bechtel, Boeing, General Electric and McDonnell Douglas (now a part of Boeing)--tell another story. At these companies, which have accounted for about 40% of all loans, grants and long-term guarantees in this decade, overall employment has fallen 38%, as more than a third of a million jobs have disappeared."

And, as we found out during the hearings held by the Federal Trade Deficit Review Commission, many of these companies are, in fact, some of our largest importers as well. So, in providing Ex-Im Bank financing to these companies, we have to determine whether we are actually undermining U.S. employment, rather than expanding it? Since money is "fungible" are the Ex-Im Bank benefits necessary to ensure these exports or are these funds also providing the wherewithal for these and other firms, to underwrite their import purchases as well?

It is getting harder and harder for business to argue that Ex-Im Bank funds are vital to their efforts and that they share the desire of the original authors of the Bank to promote U.S. jobs and exports. In 1934, only products made with 100% domestic U.S. content could qualify for Ex-Im financing. Through an aggressive campaign by U.S. business over the years, that requirement has been whittled down to a 50% requirement. We need to seriously examine the claims of those who argue that we need to trade away the domestic content requirement so that we can compete against the export financing activities of countries like Canada and Germany. Our efforts should be targeted at ensuring compliance with OECD protocols and other efforts, rather than simply trading away our jobs with our financing.

Ex-Im Bank's activities hit home for the Steelworkers early this year.

As many of you know, the steel industry has been ravaged by a flood of unfairly priced imports for several years. Beginning with the Asian financial crisis, imports have displaced large

amounts of domestic production. Despite a booming economy, the U.S. steel industry has been unable to compete effectively. Today, 18 companies have declared bankruptcy and the jobs of tens of thousands of steelworkers are ultimately at risk.

In responding to this crisis, the Clinton Administration took limited action. They recognized that global over-capacity was one of the principal causes of the industry's and the workers problems. Indeed, the U.S. Commerce Department study on the steel crisis recommended a ban on multilateral lending institutions financing projects that would increase steel production capacity and exacerbate the world's steel-making over-capacity.

Against this backdrop, we were outraged to learn that the Ex-Im Bank would help finance the purchase of millions of dollars in equipment and services to modernize Benxi Iron & Steel Co. Ltd., a Chinese steel mill and exporter. The contemplated assistance will allow the Chinese steel-maker to increase production by 1.5 million metric tons a year.

Joining together with major U.S. steel companies, we spoke as a coalition earlier this year: we called the Ex-Im Bank's decision "unconscionable and utterly inconsistent with explicit, broader U.S. policy interests." We called the Bank's rationale "flawed and indefensible."

In December of last year, the U.S. International Trade Commission made a preliminary determination that China was among those countries that was illegally dumping hot-rolled steel in the United States. Benxi, the Chinese company that is the intended beneficiary of the Ex-Im financing, is currently under investigation for illegally dumping steel into the U.S.

The labor-industry coalition said: "It's disgraceful that the U.S. government is bank-rolling Chinese steel production when U.S. steel companies are declaring bankruptcy and American steelworkers are being laid-off. Every American taxpayer should be outraged by the Export-Import Bank's action."

As a member of the U.S.-China Security Review Commission, I also intend to examine whether the Ex-Im financing is strengthening China's military-industrial infrastructure. We should ensure that our financing adds to our economic security, not undermines it both economically and militarily.

During these reauthorization hearings, this Subcommittee needs to thoroughly review the Bank's activities not only on this matter, but to determine whether the bank is fulfilling its original mandate. At a minimum, I would urge the Subcommittee examine and review all of the Bank's financing and put it through a stringent analysis of what its impact is on our economic health, our standard of living and our employment.

This means not only an initial round of examinations. Clearly sending a machine tool to another country may count as an export, but if in providing the financing for these exports we are dramatically enhancing the productive capacity of a competitor who will then corrode our jobs base here at home, we should say that's not in our nation's interest.

We also must demand that our financing activities enhance, not undermine, our interest in promoting adherence to internationally recognized workers rights and not undermine environmental standards. It's clear that these issues must be integrated into our policy-making institutions more aggressively. The public is increasingly concerned that our policies undermine rather than advance our interests. The Ex-Im Bank's reauthorization gives us a perfect opportunity to thoroughly examine their activities and set out guidelines and benchmarks for future activities.

Congressman Sanders has raised an issue recently that, I believe, should be a key component of Ex-Im Bank reform: prohibiting Ex-Im financing from going to profitable companies that are reducing the pension or retirement health benefits of U.S. workers and retirees. The Steelworkers strongly support Congressman Sanders' efforts.

We must send a strong message that there are certain standards we expect from those who are to benefit from our nation's programs. One of those standards is that we will not subsidize activities that undermine the livelihood and future of our workers.

Many have targeted the Ex-Im Bank as a symbol of corporate welfare. Let us use the coming months to aggressively and thoroughly examine the activities and practices of the Ex-Im Bank to guide Congress on a path to reforming the institution. Its principal goal must be to enhance our standard of living and the future of our workers. Right now, the Ex-Im Bank wouldn't pass that test.

Thank you.