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Ex-Im Bank and International Economic Policy Leadership

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The US presidential administration of Franklin D. Roosevelt—although preoccupied with domestic measures to revive the country's economy in 1934—understood the importance of strengthening the United States's trade relations with the rest of the world, long before ideas such as globalization gained currency. It created the US Export-Import Bank. And today, more than 65 years later, the Bank still plays a critical role in US export strategy and, therefore, in US prosperity. Policies involving trade are integral to the performance of the whole US economy. I was convinced of that fact during the six and a half years I spent in government; and I remain so now that I have returned to the private sector.

The United States is enjoying the longest economic expansion in its history—with strong growth and job creation, low inflation and low unemployment, rising incomes at all levels, and a much improved rate of productivity. But it would be an enormous error for the country to be lulled into complacency. The United States did not achieve this prosperity by accident, and did not achieve it easily. The private sector restructured dramatically—and aggressively adopted new technologies—to improve productivity. President Bill Clinton, to his great credit, acted powerfully to restore fiscal discipline and to lower trade barriers around the world. All these changes—in both private and public sectors—required making and implementing difficult decisions. The country earned its prosperity through hard choices and hard work. And it will keep its prosperity

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only by acting with equal foresight, determination, and courage in the years ahead. I now turn to one area where these qualities will be particularly in demand: international economic policy leadership.

Threats to US Internationalism

The outward-looking path of integration with the global economy that has been so centrally important to US economic well-being in recent years —and will be even more critical in the new century—is threatened by two alternative points of view. The first, held by some parties on both ends of the political spectrum, is that the United States should reduce access to its markets, reduce its foreign assistance to developing countries, and in general pull back and disengage. The second point of view belongs to those who believe the benefits of globalization are obvious, and that anyone who objects to engagement ought to be dismissed out of hand.

The benefits of international engagement are quite clear. Since 1994, approximately one-fifth of US growth has been linked to the export sector, which has grown by a third. These exports now support 12 million domestic jobs, and these jobs-–key to understanding the economic benefit of exports—typically pay 20 percent above the national average wage. Finally, many of these exporters are small businesses. The number of US small businesses that export to the world has nearly doubled since 1992.

The other side of the trade equation, imports, also contributes very significantly to US economic well-being—even though it is not politically popular to say this. Imports lead to lower consumer prices, greater productivity through increased competition, lower interest rates, and a higher standard of living. According to a calculation based on leading econometric models, if increased imports had not been available to American consumers, US inflation could have been 1 percentage point higher and interest rates 2 points higher during the period 1997-99. So the benefits of increased imports are as real as the benefits of increased exports. Without those import benefits, the United States would not have enjoyed the outstanding economic conditions of the past 7 years. The unwillingness in the political world to inform the American public about the benefits of imports is a major impediment to moving forward on trade policy. With its relatively open market, the United States has roughly 4 percent unemployment; Europe, with far fewer open markets, has persistent unemployment above 10 percent. And US growth has been much stronger.

Trade expansion—like technological advance—although greatly benefiting Americans overall, also has adverse impacts on some. In addition, change creates unease; trade prompts anxiety even among those who are doing well. And the political reality is that those who are hurt by trade are often angry and well organized, whereas those who gain—

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which at least in some respects are all Americans—may not even be aware that they have done so and are rarely organized.

Strategy and Challenges

President Clinton, dealing with this complex set of factors, has worked throughout his two terms to combine trade liberalization at home and abroad with an active domestic agenda. This agenda has included education, training, expanded health care, and assistance for dislocated workers. It has been designed to prepare Americans to succeed in a competitive global economy and to meet the real problems and anxieties created by trade liberalization.

There will be several key tests of this strategy. One, absolutely critical, was the enactment of Permanent Normal Trade Relations to China (PNTR). Chinese imports will continue to come to the United States with or without PNTR legislation, and that is to the United States's benefit. But what was at stake in this legislation—which is also greatly in the US interest—is the US ability to export to China, by requiring China to substantially reduce tariffs and eliminate important non-tariff barriers. Every single market-access concession in this agreement was made by China, and none by the United States. The PNTR approach also offers the best prospect for advancing other critically important US policy aims in China: promoting human rights, labor rights, environmental standards, and US national security concerns. A vote against this bill would have reduced Chinese interaction with Americans that occurs through trade—trade that expands the flow of free ideas and exposure to US ideals.

Economic engagement will face other tests as well. For instance, it was also a very positive development that Congress voted so overwhelmingly for the Africa Trade legislation—though I personally wish this legislation could have been more expansive. But, in its own interest, the United States must go much further to help developing countries. It must do so not only in Africa but also around the world. It must maintain and expand its commitment to foreign aid—bilaterally and through the multilateral financial institutions. Income inequality among nations is widening. According to one study, at the beginning of the nineteenth century, the ratio of real income per capita between the world's richest and poorest countries was 3 to 1. By 1900, it was 10 to 1. By 2000, it had risen to 60 to 1. Even putting aside moral issues—which are deeply troubling—sheer self-interest should cause such a wide and growing gap also to be deeply disturbing to all, even the most prosperous nations and people.

These conditions can lead to great disaffection and anger, especially in an era when this gap is brought home to even the poorest through television and tourism. And that, in turn, can feed political instability,

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support for extreme nationalism, social strife, and increased terrorism—all rendered even more dangerous with the spread of weapons of mass destruction and their miniaturization for delivery anywhere. Although there has been real economic progress in many developing nations, due probably more to their own policies than to assistance, vastly more needs to be done.

And the United States faces a test of a different sort in its response to the continued threat of instability in the global financial marketplace. The crisis that began in Asia in 1997, which caused so much harm to so many and posed such a real threat to the global economy, is now past. The United States played a critical role in leading the successful international response. But the underlying causes of that instability have not been fully addressed. There continues to be a real need for further reform in all countries—industrial and developing alike—and for action to modernize the international financial architecture. Moreover, some day there may be a need again to deal with the threat of global financial crisis.

Conclusion

Each area of international economic policy discussed here requires the United States to make the right choice for constructive change. But one of the lessons I learned during my years in government is that, with economic change, the politics are as important as the policy. If you do not get the politics right, the policy will not happen. A dynamic, free-trading economy can only be sustained with broad popular support. The United States, which believes in open trade, must do a better job educating, persuading, and advocating its view. Developing a consensus for trade requires not only education but action: to address the real costs of economic change, to equip Americans to succeed in a rapidly changing global economy, and to give them the confidence that they will benefit from an environment of change.

So the United States must, by its works and actions, rebut the antiglobalists who—if they carry the day—could so enormously damage its economic well-being. And it must equally rebut those who believe that economic change is automatically for the best—those who ignore the domestic policy requirement to gain public support for trade liberalization and change. By working effectively on both fronts, the United States will act to advance its prosperity in the years ahead. And Ex-Im Bank is a very important part of all this. It has played a large role in furthering US economic well-being throughout its history, and it will have an even larger role in the future.

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