Fossil Fools : The Case Against EX-IM Bank Fossil Fuel Projects

By “Coach Vance” Trefethen

***Resolved: The United States Federal Government should significantly reform its import and/or export policy within the bounds of international trade***

Case Summary: The Export-Import Bank is a federal “corporate welfare” scheme that gives subsidized loans to businesses engaged in international trade. The goal was to increase the ability of US businesses to export abroad, thus creating jobs in America. The reality is, of course, quite different. While this case does not deal with the overall wisdom or lack thereof to continuing the Ex-Im Bank (beyond the scope of the resolution), we do deal here with the Bank’s funding of subsidized fossil fuel projects. These projects cause pollution, environmental harms, and wreck poor communities in developing countries. Oil and gas companies don’t need taxpayer money to help them wreck the environment or to pad their profits. It’s time to cancel Export-Import Bank fossil fuel projects.
NOTE: This is NOT the same as cases dealing with “fossil fuel subsidies” in general. Those are mostly talking about tax breaks to oil, gas or coal companies for generating resources within the U.S.

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Fossil Fools: The Case Against Export-Import Bank Fossil Fuel Projects

Fossil fuels powered the world to new heights of economic growth over the last two centuries. But fossil fuels themselves are becoming fossils of a bygone era, as the world is moving to cleaner and renewable sources of energy. The federal government’s import and export policy makers pay lip service to this new reality, but they don’t actually get it. That’s why my partner and I are affirming that the United States Federal Government should significantly reform its import and/or export policy within the bounds of international trade.

OBSERVATION 1. DEFINITIONS

Significant

Merriam Webster Online Dictionary copyright 2022. <https://www.merriam-webster.com/dictionary/significant> (accessed 10 May 2022)

2a**:**having or likely to have [influence](https://www.merriam-webster.com/dictionary/influence#h1) or effect **:**[IMPORTANT](https://www.merriam-webster.com/dictionary/important)

Policy

Merriam Webster Online Dictionary copyright 2022. <https://www.merriam-webster.com/dictionary/policy> (accessed 10 May 2022)

a high-level overall plan embracing the general goals and acceptable procedures especially of a governmental body

Export-Import Bank

*Reta Jo Lewis 2022 (president and chair of them US Export Import Bank) 24 Feb 2022* Statement from Export-Import Bank of the United States President and Chair Reta Jo Lewis on the One Year Anniversary of President Biden’s Supply Chain Executive Order <https://www.exim.gov/news/statement-export-import-bank-united-states-president-and-chair-reta-jo-lewis-one-year> (accessed 30 May 2022)

 The Export-Import Bank of the United States (EXIM) is the nation’s official export credit agency with the mission of supporting American jobs by facilitating U.S. exports. To advance American competitiveness and assist U.S. businesses as they compete for global sales, EXIM offers financing including [export credit insurance](https://www.exim.gov/what-we-do/export-credit-insurance), [working capital guarantees](https://www.exim.gov/what-we-do/working-capital), [loan guarantees](https://www.exim.gov/what-we-do/loan-guarantee), and [direct loans](https://www.exim.gov/what-we-do/direct-loan).

OBSERVATION 2. INHERENCY.

FACT 1. Fossil fuel funding

The US Export Import Bank provides billions in funding for fossil fuel projects overseas

Jonathan Phillips 2021 (master’s degree in public policy from the Harvard Kennedy School; *Director of the James E. Rogers Energy Access Project at Duke University* ) June 2021 NET ZERO MAY BE COMING. BUT AMERICA IS A FOSSIL FUEL BANK TO THE DEVELOPING WORLD TODAY. (accessed 30 May 2022) https://energyaccess.duke.edu/net-zero-may-be-coming-but-america-is-a-fossil-fuel-bank-to-the-developing-world-today/#:~:text=The%20US%20Export%2DImport%20Bank,in%20fossil%20investments%20since%202018.

The US Export-Import Bank (Ex-Im)—whose mandate is not development but which still provides billions to support U.S. businesses expanding into frontier markets—increased its oil and gas exposure by $2.5 billion in 2020, and approved more than [$5 billion in fossil investments since 2018](https://www.climatechangenews.com/2021/01/28/us-plans-end-fossil-fuel-finance-overseas-threatens-billions-support-oil-gas/). Ex-Im’s current $12 billion oil and gas exposure is more than four times its investments in the power sector, a subset of which includes clean energy transactions.

FACT 2. The Biden announcement

Pres. Biden announced what was supposedly a new policy of stopping support for fossil fuel projects

WASHINGTON POST 2021. (journalists Jennifer Dlouhy and Nick Wadhams) 12 Dec 2021 “Biden Halts Federal Aid to New Fossil Fuel Projects Overseas” <https://www.washingtonpost.com/business/on-small-business/biden-halts-federal-aid-to-new-fossil-fuel-projects-overseas/2021/12/10/26a44fa8-59dc-11ec-8396-5552bef55c3c_story.html> (accessed 30 May 2022)

The Biden administration has ordered an immediate halt to new federal support for coal plants and other carbon-intensive projects overseas, a major policy shift designed to fight climate change and accelerate renewable energy worldwide. The wide-ranging directive for the first time bars U.S. government backing for future ventures, potentially affecting billions of dollars in annual funding as well as diplomatic and technical assistance.

FACT 3. Massive loopholes

Hidden in the fine print of the Biden policy are exemptions that allow Ex-Im Bank to go right on funding fossil fuel projects

Kate DeAngelis 2021 (senior international policy analyst with Friends of the Earth. J.D. from Univ of Maryland) “Biden Admin rolls out weak government-wide standard on overseas fossil fuel finance” 10 Dec 2021 <https://foe.org/news/biden-energy-financing-restrictions-weak/> 🡪 links to “Analysis: U.S. Restrictions on Public Finance for Overseas Energy Projects” (accessed 30 May 2022) https://docs.google.com/document/d/16Ipxnb4WV0Lfj-Oy0b6glE5v0pLk8wwoRehwoz2zp7k/edit

The policy provides an escape clause that allows EXIM to claim that the policy does not apply to by exempting “trade or export finance, financing the sale of certain U.S.-made goods,” which presumably all of EXIM support would fall under. In addition, the policy only appears to cover a project if it is “not part of a competitive tender or process to displace a competitor, and thus would not occur without U.S. government involvement,” which EXIM could argue covers almost all, if not all, of its support. Further, proposed talking points accompanying the policy make this even clearer: “As long as there is demand for fossil energy products, technologies, and services in global markets, the U.S. government will not stand in the way of U.S. companies that are ready and able to meet those needs.” EXIM will merely need to say that not funding a fossil fuel project will hurt the interest of a U.S. company and then EXIM can support the project, basically making EXIM exempt from the policy.  This is a huge mistake as EXIM is the largest source of U.S. Government financing for fossil fuel projects abroad.

OBSERVATION 3. The HARMS

HARM 1. CO2 emissions

Subpoint A. Ex-Im Bank subsidizes massive CO2 emissions.

Kate DeAngelis and Patrick Davis 2019 (DeAngelis - senior international policy analyst with Friends of the Earth. J.D. from Univ of Maryland. Davis - Master’s in Global Policy Studies; communications director at Friends of the Earth.) 27 Sept 2019 “As world leaders discuss climate action, U.S. government finances massive LNG project that will cause climate chaos” <https://foe.org/news/world-leaders-discuss-climate-action-u-s-government-finances-massive-lng-project-will-cause-climate-chaos/> (accessed 30 May 2022)

The U.S. Export-Import Bank’s (EXIM) Board of Directors voted late yesterday to provide $5 billion in financing for a liquid natural gas (LNG) project in Mozambique, making it the largest federal subsidy for a fossil fuel project in the bank’s history. This final vote by the board follows a preliminary vote last month and a 35-day Congressional review period. The board’s vote comes as[U.S. Representative Rashida Tlaib (D-Mich.)](https://1bps6437gg8c169i0y1drtgz-wpengine.netdna-ssl.com/wp-content/uploads/2019/09/Mozambique-LNG-Project_Member-of-Congress_Rashida-Tlaib.pdf) and [Senator Jeff Merkley (D-Ore.)](https://1bps6437gg8c169i0y1drtgz-wpengine.netdna-ssl.com/wp-content/uploads/2019/09/2019.09.25_EXIM-Mozambique-LNG-Letter-SIGNED-Senate.pdf) led delegation letters opposing the project. Despite the opposition, EXIM charged forward with this massive fossil fuel project, which EXIM admits will directly emit at least 5.2 million tons of carbon dioxide per year.

Subpoint C. The Impact: Carbon emissions cause human health risks, property damage and environmental hazards

The Urban-Brookings Tax Policy Center 2018. (joint venture of the Urban Institute and Brookings Institution; made up of nationally recognized experts in tax, budget, and social policy who have served at the highest levels of government.) “What is a carbon tax?” Ethical disclosure: article is undated but references materials published in 2018. <https://www.taxpolicycenter.org/briefing-book/what-carbon-tax> (accessed 30 May 2022)

Emissions of carbon dioxide, methane, nitrous oxide, and other greenhouse gases are increasing global temperatures, raising sea levels, shifting rainfall patterns, boosting storm intensity, and harming coral reefs and other marine life. Greenhouse gas emissions thus create a host of potential economic and environmental threats, including property damage from storms, human health risks, reduced agricultural productivity, and ecosystem deterioration (Environmental Protection Agency 2017; National Aeronautics and Space Administration 2018).

HARM 2. Accidents and Failure

A. The Link: Big subsidies to Mexican government oil monopoly Pemex

Dr. Veronique de Rugy 2020 (PhD economics; George Gibbs Chair in Political Economy and Senior Research Fellow at the Mercatus Center at George Mason Univ.) 25 Sept 2020 “Is the Ex-Im Bank Bailing Out Its Favorite Borrower?” <https://www.mercatus.org/publications/corporate-welfare/ex-im-bank-bailing-out-its-favorite-borrower> (accessed 30 May 2022)

Mexican state-owned oil firm Pemex is either the Ex-Im Bank’s biggest borrower or close to it. Its precise ranking is not easy to confirm, since despite a proclaimed commitment to transparency, the Ex-Im Bank stopped disclosing the identities of its largest borrowers in its annual reports a few years ago. Before 2017, however, and going back at least 15 years, public records indicated that the Ex-Im Bank had more loans outstanding to Pemex than to any other borrower. In 2015, these loans totaled nearly $7 billion.

B. The Impact: Death and destruction, foolishly subsidized by the US government

Dr. Veronique de Rugy 2020 (PhD economics; George Gibbs Chair in Political Economy and Senior Research Fellow at the Mercatus Center at George Mason Univ.) 25 Sept 2020 “Is the Ex-Im Bank Bailing Out Its Favorite Borrower?” <https://www.mercatus.org/publications/corporate-welfare/ex-im-bank-bailing-out-its-favorite-borrower> (accessed 30 May 2022)

Pemex’s worker safety policies especially should raise eyebrows with any policymaker who claims to be concerned about domestic companies that provide poor working conditions for their employees. The company’s history of worker safety is abysmal: during 2009–2017 (the Obama years), when new Ex-Im Bank lending to Pemex totaled some $8.5 billion, the Guardian reported that more than 190 Pemex workers were killed and 570 were injured as a result of fires, explosions, and collapsing offshore oil rigs. This sad record continues today during the COVID-19 pandemic, with more than 300 Pemex employees dying from COVID-19, more than the rest of the world’s major oil companies combined and the largest number of deaths for any company in the world. Workers on Pemex oil platforms were more than twice as likely as other Pemex employees—and 10 times as likely as the average Mexican citizen—to die of COVID-19.

HARM 3. Poor communities suffer.

**Ex-Im Bank finances fossil fuel projects that harm poor communities overseas. A good example is the Liquefied Natural Gas or LNG project in Mozambique. We see this in two sub-points:**

A. Environment, lands and livelihoods destroyed

[Kate DeAngelis](https://thehill.com/person/kate-deangelis)*2019 (*J.D. from Univ of Maryland*; international policy analyst at*[*Friends of the Earth*](http://www.foe.org/)*, an international environmental advocacy organization) 24 Sept 2019 “*EXIM should not fund detrimental natural gas project in Mozambique” <https://thehill.com/opinion/energy-environment/462823-exim-should-not-fund-detrimental-natural-gas-project-in-mozambique> (accessed 30 May 2022)

The LNG development in northern Mozambique is already having detrimental impacts on local communities and ecosystems. The many promised benefits have so far failed to materialize and most likely never will. Instead, local communities are being left with an environment that is destroyed. Vulnerable people have already lost their land and livelihoods. If they received any compensation for their land at all, it has often been inadequate. Furthermore, many of these communities will no longer be able to fish or farm in order to feed themselves and provide their families with incomes.

B. Human rights violated

Anneke Wensing 2022. (master’s degree, psychology) 16 May 2022 “Fuelling the Crisis in Mozambique“ <https://www.amisdelaterre.org/wp-content/uploads/2022/05/fuelling-the-crisis-in-mozambique.pdf> (accessed 30 May 2022) (brackets added)

Moreover though, the safety situation has been highly problematic ever since the first insurgencies in 2017 and the occurrence of severe human rights violations as well as large-scale displacement were well known ever since. Yet, these warnings have been largely ignored and no proper documentation of risk assessments or security plans have been made publicly available by the ECAs [export credit agencies] involved. For example, the Export-Import Bank of the U.S. (US EXIM) decided to lend the $4.7 billion to Mozambique LNG despite even its own analysis that warned about security risks.

OBSERVATION 4. The PLAN, implemented by Congress and the President.

1. Funding for Mozambique LNG, Pemex, and all future Export-Import Bank fossil fuel projects are canceled.
2. Plan takes effect 30 days after an Affirmative ballot.
3. Federal employees not compliance will be disciplined through normal means
4. Funding is a net decrease in federal spending, no additional budget required
5. Affirmative speeches may clarify.

OBSERVATION 5. SOLVENCY.

Canceling EX-IM Bank fossil fuel funding is the solution

Center for Biological Diversity 2019 ( Government Affairs Director for Center for Biological Diversity; bachelor's from Prescott College in conservation biology and a law degree from Lewis and Clark Law School) 25 June 2019 “75 Groups Call for Reforms to Climate-killing Export-Import Bank” (accessed 30 May 2022) <https://www.commondreams.org/newswire/2019/06/25/75-groups-call-reforms-climate-killing-export-import-bank>

More than 75 conservation groups, including the Center for Biological Diversity, today [called on](https://u7061146.ct.sendgrid.net/wf/click?upn=G62jSYfZdO-2F12d8lSllQB-2FHVVRpTBNwXb01tig9xZaN2QxbVg5d4FRC0VD4BA6sU0sUYCs4gHcl9oNxoe633DOn7gtjweLy6ik0JguYHDvX6m-2FgtO5Ch-2BrBTaEWK2L-2BdcUXvoBABpFRpm-2F99g0AC4473wgUC-2BM5RHLdpUewSwTEvmAIQLMlCgTY2nU8-2F5vM8_lZyMkwqm0dwylylyeUm0R4p5LOd2gLGXYzSBRwff5FUDPoGnCAv75t9Z28JqFagiFjiD-2Fq7LjtyAb9LskG34mfS9PTGysbJBdIfFPRd6KuqX-2BjEq-2FOhuwsEnVp0WCMnd1zOjqZbKCj-2BURWYRCwWUTlWt3k4JT-2B3XVqwA4AGADykAf7GD9YYwWbpnEmrCauntKKJF-2BKT7-2FXTH0lcF6sBcJ7BcW01K2TUurDPf7mTNnUy7EF7l8aX6gJ1cIS2GqomREsKzo0qqSTy3Pn6kXF7J-2Fv5LgHByfj4B6ASA7dTy7H-2BkUiGnbD86U3WZ7ZNkHR-2BAUU8vVOn8qM5fySXg0f-2BMO47fmptsFKmVeOt5OZoheZQ-3D) Congress to curb the Export-Import Bank’s funding of dangerous fossil fuel projects. The request follows [legislation](https://u7061146.ct.sendgrid.net/wf/click?upn=G62jSYfZdO-2F12d8lSllQB-2FHVVRpTBNwXb01tig9xZaN2QxbVg5d4FRC0VD4BA6sU0sUYCs4gHcl9oNxoe633DOn7gtjweLy6ik0JguYHDvX6m-2FgtO5Ch-2BrBTaEWK2L-2Bd1I-2FAWIIoUn9bgN2CxQ589jVB6c7hkS1pr-2BOw-2FjH1g347-2BkZdEwGlEKDaDuvZAdQk_lZyMkwqm0dwylylyeUm0R4p5LOd2gLGXYzSBRwff5FUDPoGnCAv75t9Z28JqFagiFjiD-2Fq7LjtyAb9LskG34mfS9PTGysbJBdIfFPRd6KuqX-2BjEq-2FOhuwsEnVp0WCMnd1zOjqZbKCj-2BURWYRCwWUTlWt3k4JT-2B3XVqwA4AGADykAf7GD9YYwWbpnEmrCauntKKJF-2BKT7-2FXTH0lcF6sBcJ0-2FK93WJv3qHLKIiwF08SE6bHXQaDgJku5veT1RsI9rl217ropIBGUL5-2F-2FClRBRqweLUPdJW-2FoQJy5-2B-2BpP-2BSRaUKjatcnpk09K55m-2Bo-2F02xoQk65KprK0EBS3lOD2hU3wzMezAs-2F3FyfPyhgJfeZOu4-3D) introduced last week by Rep. Maxine Waters (D-Calif.) to reauthorize the bank. Over the past 12 years, the bank has provided funding for more than 160 fossil fuel infrastructure projects, including coal, oil and gas power plants, mines and pipelines. Many of these projects have devastated UNESCO World Heritage sites and harmed endangered wildlife around the world. “Every coal power plant the Export-Import Bank props up brings us that much closer to climate catastrophe. This bank needs fundamental reform now,” said Brett Hartl, government affairs director at the Center. “The bank should focus on spreading renewable energy around the world instead of funding dirty fossil fuels.”

2A Evidence: Ex-Im Fossil Fuel Projects

INHERENCY

State Department says new rules will lead to clean energy, then admits there are exemptions

Zack Colman 2021 (journalist) 4 Nov 2021 “U.S., U.K. lead pledge to end overseas oil and gas financing, but with big caveats” <https://www.politico.com/news/2021/11/04/us-uk-pledge-end-overseas-oil-gas-financing-519573> (accessed 30 May 2022)

In a statement, a State Department spokesperson said the U.S. government has been working to “refine our implementation plan on international energy engagement,” and that “no one should doubt the direction in which we are headed, toward a clean energy future.” “That said,” it added, “as is reflected in today’s statement, the Biden Administration acknowledges that limited exemptions will be necessary — for example, in cases where there are national security implications or severe energy access concerns. Such exemptions will be part of the Administration’s responsible approach to accelerating the energy transition.”

“Wide latitude” for creating exemptions to still allow public funding of fossil fuel projects

Zack Colman 2021 (journalist) 4 Nov 2021 “U.S., U.K. lead pledge to end overseas oil and gas financing, but with big caveats” <https://www.politico.com/news/2021/11/04/us-uk-pledge-end-overseas-oil-gas-financing-519573> (accessed 30 May 2022)

The United States, the U.K. and some 20 other countries and financial institutions pledged on Thursday to stop public financing for most overseas oil and gas projects by next year, though the agreement included wide latitude for participants to set their own exemptions and many of the world’s leading backers of those projects declined to sign on.

A/T “Ex-Im supports clean energy” – But they support 12x more oil, gas & coal

Collin Rees 2019 (partnerships director for SustainUS, a non-profit environmental advocacy group) “Why the U.S. Export-Import Bank Must End Financing for Fossil Fuels” June 2019 <http://priceofoil.org/content/uploads/2019/06/US-ExIm-2-Pager-v3.1.pdf> (accessed 30 May 2022)

Over the past decade, ExIm’s average financing of oil, gas, and coal projects each year was nearly 20 times more than its average financing of clean energy projects. But even if ExIm vastly increased its clean energy financing, that alone would not solve the problem. The science clearly dictates that there is already too much carbon for the climate to handle in existing oil, gas, and coal projects. Every dollar spent to expand fossil fuels makes the hole deeper and the problem worse.

 Big support for fossil fuels: Ex-Im Bank subsidized over 160 projects in the last 12 years

Bret Hartl 2019 ( Government Affairs Director for Center for Biological Diversity; bachelor's from Prescott College in conservation biology and a law degree from Lewis and Clark Law School. Spent five years as a field biologist working with endangered species) 25 June 2019 “75 Groups Call for Reforms to Climate-killing Export-Import Bank” <https://www.commondreams.org/newswire/2019/06/25/75-groups-call-reforms-climate-killing-export-import-bank> (accessed 30 May 2022)

More than 75 conservation groups, including the Center for Biological Diversity, today [called on](https://u7061146.ct.sendgrid.net/wf/click?upn=G62jSYfZdO-2F12d8lSllQB-2FHVVRpTBNwXb01tig9xZaN2QxbVg5d4FRC0VD4BA6sU0sUYCs4gHcl9oNxoe633DOn7gtjweLy6ik0JguYHDvX6m-2FgtO5Ch-2BrBTaEWK2L-2BdcUXvoBABpFRpm-2F99g0AC4473wgUC-2BM5RHLdpUewSwTEvmAIQLMlCgTY2nU8-2F5vM8_lZyMkwqm0dwylylyeUm0R4p5LOd2gLGXYzSBRwff5FUDPoGnCAv75t9Z28JqFagiFjiD-2Fq7LjtyAb9LskG34mfS9PTGysbJBdIfFPRd6KuqX-2BjEq-2FOhuwsEnVp0WCMnd1zOjqZbKCj-2BURWYRCwWUTlWt3k4JT-2B3XVqwA4AGADykAf7GD9YYwWbpnEmrCauntKKJF-2BKT7-2FXTH0lcF6sBcJ7BcW01K2TUurDPf7mTNnUy7EF7l8aX6gJ1cIS2GqomREsKzo0qqSTy3Pn6kXF7J-2Fv5LgHByfj4B6ASA7dTy7H-2BkUiGnbD86U3WZ7ZNkHR-2BAUU8vVOn8qM5fySXg0f-2BMO47fmptsFKmVeOt5OZoheZQ-3D) Congress to curb the Export-Import Bank’s funding of dangerous fossil fuel projects. The request follows [legislation](https://u7061146.ct.sendgrid.net/wf/click?upn=G62jSYfZdO-2F12d8lSllQB-2FHVVRpTBNwXb01tig9xZaN2QxbVg5d4FRC0VD4BA6sU0sUYCs4gHcl9oNxoe633DOn7gtjweLy6ik0JguYHDvX6m-2FgtO5Ch-2BrBTaEWK2L-2Bd1I-2FAWIIoUn9bgN2CxQ589jVB6c7hkS1pr-2BOw-2FjH1g347-2BkZdEwGlEKDaDuvZAdQk_lZyMkwqm0dwylylyeUm0R4p5LOd2gLGXYzSBRwff5FUDPoGnCAv75t9Z28JqFagiFjiD-2Fq7LjtyAb9LskG34mfS9PTGysbJBdIfFPRd6KuqX-2BjEq-2FOhuwsEnVp0WCMnd1zOjqZbKCj-2BURWYRCwWUTlWt3k4JT-2B3XVqwA4AGADykAf7GD9YYwWbpnEmrCauntKKJF-2BKT7-2FXTH0lcF6sBcJ0-2FK93WJv3qHLKIiwF08SE6bHXQaDgJku5veT1RsI9rl217ropIBGUL5-2F-2FClRBRqweLUPdJW-2FoQJy5-2B-2BpP-2BSRaUKjatcnpk09K55m-2Bo-2F02xoQk65KprK0EBS3lOD2hU3wzMezAs-2F3FyfPyhgJfeZOu4-3D) introduced last week by Rep. Maxine Waters (D-Calif.) to reauthorize the bank. Over the past 12 years, the bank has provided funding for more than 160 fossil fuel infrastructure projects, including coal, oil and gas power plants, mines and pipelines. Many of these projects have devastated UNESCO World Heritage sites and harmed endangered wildlife around the world.

US funding is heavily weighted toward fossil fuels, not renewables or other low-carbon energy

Jonathan Phillips 2021 (master’s degree in public policy from the Harvard Kennedy School; *Director of the James E. Rogers Energy Access Project at Duke University* ) June 2021 NET ZERO MAY BE COMING. BUT AMERICA IS A FOSSIL FUEL BANK TO THE DEVELOPING WORLD TODAY. (accessed 30 May 2022) https://energyaccess.duke.edu/net-zero-may-be-coming-but-america-is-a-fossil-fuel-bank-to-the-developing-world-today/#:~:text=The%20US%20Export%2DImport%20Bank,in%20fossil%20investments%20since%202018.

While China and other state-sponsored lenders in East Asia have grabbed headlines for their leading roles in [financing overseas fossil projects](https://www.cfr.org/blog/climate-challenge-and-chinas-belt-and-road-initiative)—especially coal—the U.S. government stepped up its own financing of oil and gas development, transport, and power projects around the world during the Trump administration. Today, America’s overseas investment portfolio is far more strongly weighted toward fossil fuels than renewables and other low-carbon energy sources.

Ex-Im Bank provides billion in funding for fossil fuel projects

Bronwen Tucker and Kate DeAngelis 2021. (Tucker - MSc from Univ of Oxford; Global Public Finance Co-Manager at Oil Change International, research, communications group advocating transition to clean energy. DeAngelis - senior international policy analyst with Friends of the Earth. J.D. from Univ of Maryland) PAST LAST CALL - G20 PUBLIC FINANCE INSTITUTIONS ARE STILL BANKROLLING FOSSIL FUELS <https://priceofoil.org/content/uploads/2021/10/Past-Last-Call-G20-Public-Finance-Report.pdf> (accessed 30 May 2022)

The U.S. Export-Import Bank was only able to provide support from May 2019 because it did not have a sufficient number of members on its board to approve large deals. Otherwise, given previous patterns of support and its billions approved for fossil fuels since May 2019, EXIM likely would have been a top supporter. Between May 2019 and September 2021, EXIM has provided over $5.5 billion for fossil fuel projects, including Mozambique LNG and Pemex.

HARMS / SIGNIFICANCE

A/T “Pemex has accidents, so does everyone else” – Pemex is worse than others, and Ex-Im Bank should have paid attention

Gilda di Carli 2016 (investigative reporter) 28 Dec 2016 “Export-Import Bank gave $8.5bn to Mexico oil firm despite deadly accidents” THE GUARDIAN <https://www.theguardian.com/us-news/2016/dec/28/export-import-bank-mexico-pemex-oil-company-loans> (accessed 30 May 2022)

But in Mexico – where Pemex accounts for more than 95% of the country’s oil operations – the statistics are even worse. According to the International Association for Oil and Gas Producers, an industry-backed group, Mexico has ranked consistently worse than the international standard for injury and fatality rates. In 2012, government and news accounts indicate there were at least eight accidents, including gas plant explosions and refinery fires, that killed 31 and injured 52. According to the oil and gas producer trade group, Mexico’s rate for lost time due to injury was 14.5 times higher than the global industry average. But that safety record hasn’t seemed to change the bank’s approach toward the company, which provided the company with $1.2bn in 2012.

A/T “Ex-Im Bank supporting clean natural gas” – Gas is not cleaner than coal

[Kate DeAngelis](https://thehill.com/person/kate-deangelis)*2019 (*J.D. from Univ of Maryland*; international policy analyst at*[*Friends of the Earth*](http://www.foe.org/)*, an international environmental advocacy organization) 24 Sept 2019 “*EXIM should not fund detrimental natural gas project in Mozambique” <https://thehill.com/opinion/energy-environment/462823-exim-should-not-fund-detrimental-natural-gas-project-in-mozambique> (accessed 30 May 2022)

Although natural gas is often touted as a cleaner fuel than coal, when you take into account the leaks involved in extraction, transportation, processing and burning of LNG it is [not better for the climate than coal](https://www.smithsonianmag.com/science-nature/natural-gas-really-better-coal-180949739/). Yet, the head of the EXIM board, Kimberly Reed, [voiced her strong support](https://www.exim.gov/news/chairman-reed-and-liquefied-natural-gas-industry-discuss-how-exim-can-assist-lng-exporting) for the industry.

Ex-Im Bank was stalled for a while (lack of Directors) but now they’re running again and doing lots more polluting projects

Doug Norlen and Patrick Davis 2019. (Norlen - master’s degree in International Studies from the University of Oregon; director of the economic policy program at Friends of the Earth Davis - Master’s in Global Policy Studies; communications director at Friends of the Earth) 8 May 2019 “Senate Confirmation of Export-Import Bank Directors Means Billions More Dollars in Federal Fossil Fuel Financing” <https://foe.org/news/senate-confirmation-export-import-bank-directors-means-billions-dollars-federal-fossil-fuel-financing/> (accessed 30 May 2022)

The U.S. Senate today voted to confirm three nominees to the Board of Directors of the U.S. Export-Import Bank. The confirmation allows Ex-Im to establish a board quorum, clearing the way for the bank to revive its financing of billions of dollars in fossil fuel projects abroad. After nearly four years without full authority to operate, today’s Senate vote paves the way for 12 fossil fuel projects in the agency’s queue to progress forward to a board vote — with many more applications for financing likely to come. These dirty projects will result in tens of millions of tons of carbon dioxide emitted into the atmosphere annually.

Even the Ex-Im Bank itself advocated abandoning coal projects in 2013…

Jake Schmidt 2013 (Managing Director, International program, Natural Resources Defense Council) 12 Dec 2013 “Another U.S. Public Funding Institution Will Get Out of Coal Power Plants: New Export-Import Bank Guidelines Adopted” <https://www.nrdc.org/experts/jake-schmidt/another-us-public-funding-institution-will-get-out-coal-power-plants-new-export> (accessed 30 May 2022)

The Board of the U.S. Export-Import Bank (U.S. Ex-Im) has just voted to shift its funding out of coal power plants. These new guidelines are very important as they close off funding from a major investor in coal projects and they add to the growing list of public finance institutions that will stop using public funding to support overseas coal power plants. Germany, Japan, the Asian Development Bank, and a couple of other public financing institutions are now the last holdouts. [These new Ex-Im guidelines](http://www.exim.gov/newsandevents/releases/2013/upload/Supplemental-Env-Guidelines-12-12-13.pdf) respond to the call by President Obama in the U.S. Climate Action Plan to stop using U.S. funding for overseas coal projects.

Then the Ex-Im Bank didn’t take its own advice. Now they’re back in the coal business

Hannah Furfaro 2016 (journalist) 7 Dec 2016 “Potential Export-Import Bank deals pose grave environmental threat, experts say” <https://www.theguardian.com/us-news/2016/dec/07/export-import-bank-fossil-fuel-plants-vietnam-mozambique> (accessed 30 May 2022)

The bank is also considering [financing a 1,200MW coal-fired power plant in south-west Vietnam](http://www.exim.gov/policies/ex-im-bank-and-the-environment/pending-transactions), despite moves starting in 2014 to limit such financing to only the poorest countries. Congress has since taken actions to allow the bank to finance coal projects in countries that are not among the world’s most impoverished, such as Vietnam.

Impact: Coal pollution particles cause sickness & death.

Joel K. Bourne 2019 (journalist) NATIONAL GEOGRAPHIC 19 Feb 2019 Coal’s other dark side: Toxic ash that can poison water and people <https://www.nationalgeographic.com/environment/2019/02/coal-other-dark-side-toxic-ash/#close> (accessed 30 May 2022)

TVA's [Kingston Fossil Plant](https://www.tva.gov/Energy/Our-Power-System/Coal/Kingston-Fossil-Plant), built in 1955, was the largest coal-burning power plant in the world for more than a decade, and it still burns 14,000 tons of pulverized coal, or 140 rail-car loads, each day. About 10 percent of the coal, the non-combustible part, becomes coal ash—powdery fly ash that collects in smokestack filters, and coarser bottom ash and boiler slag that gets flushed out of the plant's furnaces. The ash is a mix of clays, quartz, and other minerals, forged into tiny glass-like beads by the heat of the fire. But it also concentrates dozens of naturally occurring heavy metals, including [known carcinogens and toxins](https://ehs.duke.edu/2018/wp-content/uploads/sites/4/2018/09/Kravchenko_Coal-Ash.pdf) such as arsenic, cadmium, lead, vanadium, chromium, as well as radioactive uranium and radon. These metals pose the greatest health threat from coal ash. Even without a catastrophic spill, they can leach into and contaminate groundwater. Attached to fine particles of ash they can drift through the air, blowing onto skin and into nostrils. Some coal ash particles are so fine—less than 2.5 microns in diameter, a [30th the width of a human hair](https://www.epa.gov/pm-pollution/particulate-matter-pm-basics)—that they can be sucked deep into the lungs and become a health hazard even without toxic hitchhikers. PM 2.5, as such particles are called, are also in smog, smoke, and auto exhaust, and they’re a known cause of [numerous respiratory and cardiovascular diseases](https://ehs.duke.edu/2018/wp-content/uploads/sites/4/2018/09/Kravchenko_Coal-Ash.pdf) and a significant cause of [global mortality](https://www.ncbi.nlm.nih.gov/pubmed/28696208).

Coal pollution kills thousands

Dr. Jay Apt 2017 (Ph.D. is an American astronaut and professor at Carnegie Mellon University ) 7 June 2017 “The Other Reason to Shift away from Coal: Air Pollution That Kills Thousands Every Year” SCIENTIFIC AMERICAN <https://www.scientificamerican.com/article/the-other-reason-to-shift-away-from-coal-air-pollution-that-kills-thousands-every-year/> (accessed 30 May 2022)

But there is another, equally important argument for transitioning to clean fuels. Tens of thousands of Americans die every year from old-fashioned air pollution, generated by electric power plants that burn fossil fuels. Estimates vary, but between [7,500](http://www.catf.us/fossil/problems/power_plants/) and [52,000](https://doi.org/10.1016/j.atmosenv.2013.05.081) people in the United States meet early deaths because of small particles resulting from power plant emissions. That’s huge. It is roughly comparable to [the 40,000 people that died in car crashes in 2016](http://www.nsc.org/NewsDocuments/2017/12-month-estimates.pdf).

Air pollution causes substantially higher disease and death rates

Dr. Jay Apt 2017 (Ph.D. is an American astronaut and professor at Carnegie Mellon University ) 7 June 2017 “The Other Reason to Shift away from Coal: Air Pollution That Kills Thousands Every Year” SCIENTIFIC AMERICAN <https://www.scientificamerican.com/article/the-other-reason-to-shift-away-from-coal-air-pollution-that-kills-thousands-every-year/> (ellipses in original) (accessed 30 May 2022)

The researchers measured pollution in detail. After adjusting for factors like smoking, they found that the death rate was 26 percent higher in the most polluted cities than in the cleanest ones. They wrote, “Air pollution was positively associated with death from lung cancer and cardiopulmonary disease …. Mortality was most strongly associated with air pollution with fine particulates, including sulfates.” Fine particulate pollution is a mixture of solid particles and liquid droplets, many times smaller than a human hair.

****PEMEX is corrupt and in financial trouble – and doesn’t need EX-IM Bank money****

Dr. Veronique de Rugy 2020 (PhD economics; George Gibbs Chair in Political Economy and Senior Research Fellow at the Mercatus Center at George Mason Univ.) 25 Sept 2020 “Is the Ex-Im Bank Bailing Out Its Favorite Borrower?” <https://www.mercatus.org/publications/corporate-welfare/ex-im-bank-bailing-out-its-favorite-borrower> (accessed 30 May 2022)

The relationship with Pemex is hard to reconcile with the Ex-Im Bank’s express goals of becoming the linchpin in the US government’s economic response to China’s economic ascendancy. Pemex is a state-owned company with a market capitalization of $105 billion. Although the company has serious financial troubles, it could raise capital to finance the purchase of American exports without being subsidized by American taxpayers. In addition, working with Pemex has posed a reputational risk to the Ex-Im Bank for decades. Pemex has been steeped in corruption since its founding in 1938, as its oil revenue, which is the source of almost a fifth of Mexico’s budget revenues, has served as a vehicle for Mexico’s political classes to fund government operations and dole out party patronage.

Export-Import Bank finances injuries and deaths at PEMEX

Gilda di Carli 2016 (investigative reporter) 28 Dec 2016 “Export-Import Bank gave $8.5bn to Mexico oil firm despite deadly accidents” THE GUARDIAN <https://www.theguardian.com/us-news/2016/dec/28/export-import-bank-mexico-pemex-oil-company-loans> (first brackets added; second and third brackets in original) (accessed 30 May 2022)

During this period, more than 190 Pemex workers and contractors have died and more than 570 were injured as a result of fires, explosions and offshore rig collapses, according to data compiled by Columbia University’s Graduate School of Journalism’s Energy and Environmental Reporting Project and Guardian US. The Mexican oil company has also suffered at least 31 major accidents since 2009 involving fatalities, injuries or environmental destruction and contamination – including a 2013 gas explosion in the company’s [Mexico](https://www.theguardian.com/world/mexico) City headquarters that killed 37, a 2015 pipeline leak that contaminated three rivers and polluted the drinking water for half a million people, and a 2013 chemical pipeline leak that caused the evacuation of more than 1,000 people. Yet despite this questionable track record and an injury rate that has consistently surpassed global standards, the Export-Import Bank has provided an average of more than $1bn [billion] a year to Pemex in loans and guarantees. “There’s a history of problems [with Pemex] and yet along comes the US Export-Import Bank, who provides financing,” said Karyn Keenan, director of Above Ground, an Ottawa-based human rights organization that is investigates overseas companies and treatment of foreign workers. “You’d think these are things that are in the public domain, and would cause [the bank] to do heightened due diligence.”

****Mozambique project had to suspend operations because of violence****

Anneke Wensing 2022. (master’s degree, psychology) 16 May 2022 “Fuelling the Crisis in Mozambique“ <https://www.amisdelaterre.org/wp-content/uploads/2022/05/fuelling-the-crisis-in-mozambique.pdf> (accessed 30 May 2022) (brackets added)

Palma city used to be just another small fishing town but had become the hub of Mozambique's gas industry. At the time of the attack, Palma was a rapidly growing town with significant foreign investment and more than 1,000 foreign workers linked to the gas industry. Reuters reported 12 people, possibly foreigners because they were white, were beheaded. The attack started only hours after TotalEnergies announced an agreement with the Mozambique government to restart work on the Afungi LNG plant which had been suspended since January 2021 after a series of insurgent attacks on the complex. During the Palma attack, there were 800 soldiers protecting TotalEnergies workers at the Afungi site, while there was only a handful of security protecting the people in the town, leaving local people unprotected and at the mercy of the attackers. Even though Palma was a known target, no emergency plan was in place. On the 26th of April 2021, TotalEnergies declared force majeure on the Mozambique LNG project and confirmed it had withdrawn all staff from the construction site because of the escalating violence. Up until now, the company has not returned but the company intends to restart operations in 2022.

Ex-Im Bank approved $5 billion for Mozambique LNG plant, with 5.2 million tons of CO2 emissions

Jake Johnson 2019 (staff writer) “Warnings of Grave Climate and Human Rights Impact as US Export-Import Bank Approves $5 Billion for Natural Gas Project in Mozambique” 23 Aug 2019 COMMON DREAMS <https://www.commondreams.org/news/2019/08/23/warnings-grave-climate-and-human-rights-impact-us-export-import-bank-approves-5> (accessed 30 May 2022)

Environmentalists reacted with outrage after the U.S. Export-Import Bank's board of directors on Thursday approved $5 billion in funding for a liquefied natural gas plant in Mozambique that could pump an [estimated 5.2 million tons](https://www.commondreams.org/newswire/2019/08/23/50-billion-exim-financing-mozambique-lng-plant-fuels-us-contribution-climate) of planet-warming carbon dioxide into the atmosphere each year. Doug Norlen, director of the economic policy program at Friends of the Earth, called EXIM's decision "irresponsible" and said it "proves the agency can't be trusted to manage billions of dollars in public funds."

SOLVENCY / ADVOCACY

Ex-Im Bank subsidizes $5.5 billion/year for fossil fuels (oil, gas and coal) and it needs to stop

Julia Conley 2019 (staff writer) Common Dreams, 26 June 2019 “Progressives Denounce Export-Import Bank's Support for Fossil Fuel Industry as Congress Debates Reauthorization” <https://www.commondreams.org/news/2019/06/26/progressives-denounce-export-import-banks-support-fossil-fuel-industry-congress> (accessed 30 May 2022)

The bank acts as the United States' export credit agency and is one of the largest sources of funding for the coal, oil, and gas industries' overseas projects, providing an average of $5.5 billion per year for fossil fuel extraction, climate action groups say. The House Financial Services Committee considered the bill for reauthorization after it was introduced by Reps. Maxine Waters (D-Calif.) and Patrick McHenry (R-N.C.) without any commitments to end fossil fuel subsidies and with only five percent of the bank's funding going to renewable energy projects under the proposed legislation. "Every coal power plant the Export-Import Bank props up brings us that much closer to climate catastrophe. This bank needs fundamental reform now," said Brett Hartl, government affairs director at the Center for Biological Diversity, in a [statement](https://www.commondreams.org/newswire/2019/06/25/75-groups-call-reforms-climate-killing-export-import-bank). "The bank should focus on spreading renewable energy around the world instead of funding dirty fossil fuels."

Need to stop damaging the environment: Time to ban EX-IM Bank fossil fuel projects

Han Chen 2019 (Manager, Energy Policy, International Program, Natural Resources Defense Council) 2 July 2019 “Ensuring the US Export-Import Bank Reflects American Values” <https://www.nrdc.org/experts/han-chen/ensuring-us-export-import-bank-reflects-american-values> (accessed 30 May 2022)

EXIM should not provide a blank check from the government to finance fossil fuel projects abroad. At a time we are seeing the growing costs and increasing impacts from climate change—in the form of damages from wildfires, hurricanes, floods and other disasters—the US must make certain that EXIM is not a key contributor to making climate change worse. Today, as we confront a climate crisis worsening before our eyes , it’s time to seriously discuss when we will achieve freedom from fossil fuels and rely on clean sources of energy to power and protect our future.

Massive environmental impacts justify blocking EXIM fossil fuel projects

Han Chen 2019 (Manager, Energy Policy, International Program, Natural Resources Defense Council) 2 July 2019 “Ensuring the US Export-Import Bank Reflects American Values” <https://www.nrdc.org/experts/han-chen/ensuring-us-export-import-bank-reflects-american-values> (accessed 30 May 2022)

Given the hundreds of billions of dollars in economic losses from climate change-related disasters that the US is already suffering, it is reckless and short-sighted for EXIM to finance fossil fuel-related infrastructure. EXIM should not be authorized until there is clear language excluding the financing of coal-, oil-, and gas-fired power plants, and excluding financing for fossil fuel exploration, transportation and production.

DISAD RESPONSES

A/T “Lose US jobs” – Ex-Im Bank doesn’t create jobs, doesn’t significantly increase exports

Timothy Carney 2019 (journalist) 16 July 2019 WASHINGTON EXAMINER “Export-Import Bank subsidizes exports, but doesn't actually increase exports” <https://www.washingtonexaminer.com/opinion/columnists/export-import-bank-subsidizes-exports-but-doesnt-actually-increase-exports> (accessed 30 May 2022)

These subsidy advocates assert that Ex-Im creates jobs. They say it again and again, without evidence, and much of the media believe it without evidence. “America’s jobs are being lost,” White House trade official Peter Navarro complained when Ex-Im was hobbled, “by the hundreds of thousands.” Subsidy champions get away with these unfounded claims because a credulous media believes them. “I get philosophical opposition to #ExIm,” tweeted the New York Times reporter who covered Ex-Im during the last major debate over it, “but how could ending loan guarantees for US exporters not cost jobs?” Great question. With just a tiny bit of economics, it’s easy to posit many ways in which ending these subsidies might not cost jobs. For one thing, subsidizing exports might not really result in more exports, but only different exports. Or maybe Ex-Im doesn’t change the makeup of exports that much, it just pads profit margins. Or maybe it shifts financing from domestic sales to exports. And maybe, just maybe, the private sector would allocate financing more efficiently than the bureaucrats on Vermont Avenue. Whatever theoretical mechanism you prefer, the empirical data all suggest that Ex-Im does not significantly boost exports, especially not among small businesses. Economists Agarwal and Wang studied detailed data on how much certain U.S. industries exported to certain countries, and how much Ex-Im financing appeared to affect those exports. “In a given year,” the economists found, “EXIM authorisations do not have a sizable impact on U.S. exports with its partner countries.” In short, more export subsidies from Ex-Im doesn’t significantly yield more exports.

A/T “Jobs” – Even if true, when in conflict, health & safety should take priority. Funding dirty projects isn’t justified for the sake of jobs

Han Chen 2019 (Manager, Energy Policy, International Program, Natural Resources Defense Council) 2 July 2019 “Ensuring the US Export-Import Bank Reflects American Values” <https://www.nrdc.org/experts/han-chen/ensuring-us-export-import-bank-reflects-american-values> (accessed 30 May 2022)

The role of EXIM is to support the long-term well-being of America, and to export U.S. goods and services that generate American jobs. At times when these two goals are put into conflict, Congress needs to make clear that the priority is the long-term health and safety of all Americans and freedom from more climate disasters, not funding dirty projects overseas that would not be acceptable on America soil. EXIM must set standards for overseas investment in line with what we find acceptable in America.

A/T “Jobs” – Turn: Ex-Im Bank’s energy subsidies hurt US energy firms

Veronique de Rugy and Diane Katz 2015 (Veronique de Rugy is a senior research fellow at the Mercatus Center at George Mason Univ. Diane Katz is a senior research fellow in regulatory policy for the Heritage Foundation) “The Export-Import Bank’s Top Foreign Buyers” <https://www.mercatus.org/system/files/Rugy-Ex-Im-Top-Foreign.pdf> (accessed 30 May 2022)

The numerous problems with Ex-Im Bank have been analyzed in a significant body of research. For instance, previous research has documented that Ex-Im Bank financing principally benefits very large exporters. This new analysis reveals that the primary beneficiaries on the buyer side of the transactions are also very large firms. Among the top 10 buyers, 5 are state-controlled and rake in millions of dollars from their own governments in addition to Ex-Im Bank subsidies. These multiple-subsidy streams offset operating costs, and provide a significant competitive advantage over unsubsidized US firms engaged in similar ventures. Five of the top 10 buyers are involved in the exploration, development, and production of oil or natural gas. These foreign concerns are collecting subsidies from American taxpayers at the same time that the Obama administration is restricting domestic oil and gas operations. Consequently, the federal government doubly disadvantages US energy firms—through Washington’s excessive regulation and Ex-Im Bank subsidies granted to US firms’ foreign competitors.

A/T “Can’t compete with China” – Ex-Im Bank isn’t the solution to China, including with energy. Will make things worse

Diane Katz 2019 (Senior Research Fellow in Regulatory Policy, Heritage Foundation) Export-Import Bank Is Not the Way to Fight China 1 May 2019 <https://www.heritage.org/trade/commentary/export-import-bank-not-the-way-fight-china> (first brackets added, other brackets in original) (accessed 30 May 2022)

Unless Congress wants to try to out-China China on economic nationalization, revitalizing Ex-Im would do nothing to counter the Belt and Road Initiative—or to halt China’s theft of intellectual property and other practices that constitute actual trade problems. Countering the Belt and Road Initiative is a foreign policy issue, not an Ex-Im issue. As [Heritage Foundation research fellow Jeff] Smith [noted](https://www.heritage.org/asia/report/chinas-belt-and-road-initiative-strategic-implications-and-international-opposition):
The answer is not for America to create its own New Silk Road but for Washington to help establish and enforce new rules of the road; promote better standards, transparency, and a new vision for regional connectivity; shine a light on the risks and consequences of the [Belt and Road Initiative] where necessary; aid friendly countries subject to Chinese economic coercion; and assist like-minded partners and institutions in providing alternatives to those seeking infrastructure investments without the strategic baggage that accompanies [Belt and Road Initiative] investments. If anything, “weaponizing Ex-Im” would worsen trade barriers and disadvantage the American firms that must compete against foreign companies enjoying U.S.-subsidized export financing. That is the case with airlines, mining, steel, and solar energy components, among other sectors.

A/T “Ex-Im makes a profit for the taxpayers” – Not if you do the accounting correctly. It actually loses money

Diane Katz 2017 (Senior Research Fellow in Regulatory Policy at Heritage Foundation) “Trump’s Disappointing Flip-Flop on the Export-Import Bank“ 20 Apr 2017 <https://www.heritage.org/monetary-policy/commentary/trumps-disappointing-flip-flop-the-export-import-bank> (accessed 30 May 2022)

In any event, the claim that Ex-Im is profitable is illusory: The bank uses “accrual” accounting, which does not factor in the risk of defaults related to bank financing. For example, under current accounting methods, bank officials claim that Ex-Im will return a $14 billion surplus to taxpayers in the next decade. But the [Congressional Budget Office](http://cbo.gov/sites/default/files/cbofiles/attachments/45383-FairValue.pdf) reported in 2014 that Ex–Im programs, if subjected to the fair value accounting methods required of private banks, actually operate at a deficit that will cost taxpayers some $2 billion over 10 years (in addition to the bank’s operating costs).

A/T “Poor countries need resource development” – Resources don’t help poor countries, they stay poor

Jeffrey A. Frankel 2010 (Kennedy School of Government, Harvard University) March 2010 THE NATURAL RESOURCE CURSE: A SURVEY <https://www.nber.org/papers/w15836.pdf> (accessed 30 May 2022)

It has been observed for some decades that the possession of oil, natural gas, or other valuable mineral deposits or natural resources does not necessarily confer economic success. Many African countries such as Angola, Nigeria, Sudan, and the Congo are rich in oil, diamonds, or other minerals, and yet their peoples continue to experience low per capita income and low quality of life. Meanwhile, the East Asian economies Japan, Korea, Taiwan, Singapore and Hong Kong have achieved western-level standards of living despite being rocky islands (or peninsulas) with virtually no exportable natural resources. Auty (1993, 2001) is apparently the one who coined the phrase “natural resource curse” to describe this puzzling phenomenon. Its use spread rapidly. Figure 1, reproduced from Manzano and Rigobon (2008), illustrates for a cross section of countries. Exports of primary products as a fraction of GDP appear on the horizontal axis and economic growth on the vertical axis. The relationship on average is slightly negative. The negative correlation is not very strong, masking almost as many resource successes as failures. But it certainly suggests no positive correlation between natural resource wealth and economic growth.