ing with. And there is a certain international competition among export credit agencies, which is in effect what the Export-Import Bank is—a long-term supplier of export credits.

I feel that the Export-Import Bank's potential has been greatly underrated by people who concern themselves with the welfare and development of the underdeveloped countries, because there is a tendency to feel that it is nothing but a device for selling American merchandise abroad. What I am saying is that I think it should have much greater flexibility. As a realistic matter, flexibility would have to include much longer terms. In some cases, for the poorer countries, the interest rate would have to approach zero. This means that an interest subsidy would have to be appropriated. The Export-Import Bank could not go to one country and say, you will have to pay 12 percent to compensate for the low rate we are charging another borrower. The answer would be, no, we will get our export credits elsewhere, at rates lower than 12 percent.

I think that in trying to do something to ameliorate the economic conditions of underdeveloped countries, however much one might wish it could be so, Congress or other departments cannot do it solely on the basis of considerations divorced from the U.S. material interest. What lubricates trade is the coincidence of material interest. I am saying that some of these countries are so poor now that that lubrication process is going to take a long time, and cost the United States a certain amount of money. In my personal opinion, it is going to take much more money than the Export-Import Bank now has at its disposal, and it is going to take some form of interest subsidy which would be even larger than that implicit in the present operations of the Export-Import Bank. I believe on the other hand to have the foreign aid agency do it, opens up a series of vistas that I find impalatable for the economic development of those countries, and also quite possibly for the interest of the United States, in that short term considerations might then tend to dominate.

Representative REUSS. Thank you.

Chairman BOGGS. Senator Miller?

Senator MILLER. Thank you, Mr. Chairman.

Mr. Pincus, do you draw any distinction between rich countries with a balance-of-payments deficit and rich countries with a balance-of-payments surplus?

Mr. PINCUS. In this testimony I have said that as long as the United States has a balance-of-payments problem, the Export-Import Bank, or some revision of it, should tie the loans. I think that the struggle to achieve untied aid in the international arena is fruitless. I think every major trading nation is mercantilist. If it has a balance-of-payments surplus, it wants to keep it. If it doesn't have one, it wants to get it. By simple arithmetic we have to recognize that that is impossible.

However, we do have a balance-of-payments deficit for reasons that obviously take us too far afield to discuss now. I see no reason whatsoever why we should not follow the same policies followed by Western European nations who are doing the same things, extending tied export credits, and nonetheless maintaining a fairly substantial balance of payments of surpluses. We have no leverage that we are will-