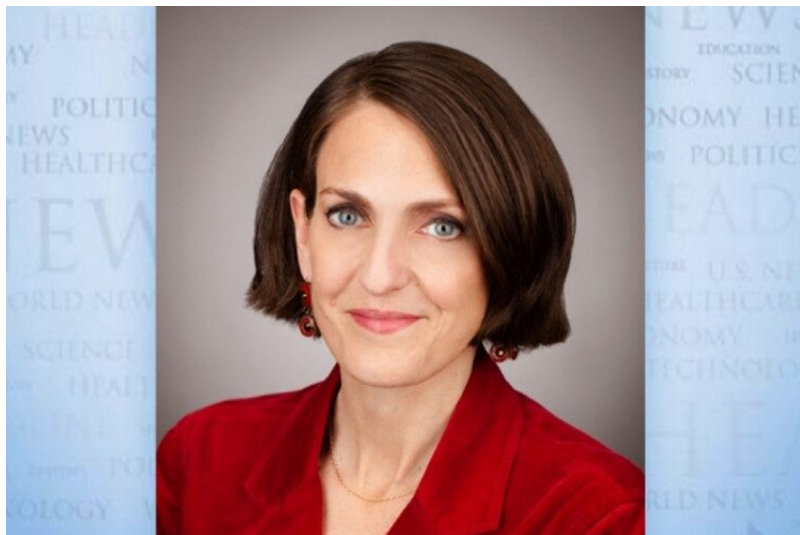




Once Again, the Export-Import Bank Dogs Taxpayers with Pemex

As the saying goes, “You can’t teach an old dog new tricks.” Nowhere is this truth more evident than in the recent behavior of the allegedly “reformed” Export-Import Bank of the United States.

Reauthorized by Congress in December 2019 with the promise that it would suddenly change its ways and focus its fire power on fighting China, this export credit agency quickly returned to its tired routine of propping up its old and favorite customers, including — very prominently — Petroleos Mexicanos, or Pemex.



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Right under Congress’ nose, Ex-Im Bank approved \$400 million in financing to this Mexican government-owned oil company. This use of taxpayer funds raises several questions, not the least of which is why our federal government would subsidize a foreign state-owned company in the first place. There’s no good answer.

Moreover, Pemex is in serious financial trouble. It could very well collapse, despite its privileged position in Mexico. A pandemic-induced drop in oil prices combined with years of mismanagement have left Pemex technically insolvent. It’s already the world’s most-indebted oil company and one of the largest issuers of debt in Latin America.

In April, both Moody’s and Fitch downgraded Pemex’s bond rating to junk status, and the deputy governor of Mexico’s central bank recently said that Pemex could become an “incurable cancer” if its government doesn’t address its deep-seated structural problems. Now, thanks to Ex-Im’s decision to extend financing to Pemex, if the company collapses, it will also be a problem for American taxpayers.

Pemex has been corrupt for years. In July 2020, its former chief executive was arrested in Spain (where he had been hiding to evade a Mexican arrest warrant) and extradited. He’s now a protected witness in an expansive bribery scandal involving three of Mexico’s former presidents, four former finance ministers, two presidential challengers, two state governors and a number of legislators.

Among other offenses, the bribes were allegedly paid to ensure passage of energy-sector reforms under the prior government, in order to open the sector to foreign investment. The Wall Street Journal also reported last October that the U.S. Department of Justice and the Securities and Exchange Commission are conducting a broad investigation into corruption at Pemex.

Now Ex-Im is justifying its financing to Pemex with the go-to excuse that it “would help counter financing competition from foreign export credit agencies, including from China.” This claim is dubious. In the bill to reauthorize Ex-Im last December, Congress did include what it calls the Program on China and Transformational Exports. It specified 10 sectors for the program, such as artificial intelligence, renewable energy, water treatment and sanitation. However, the list doesn’t include oil and gas. Nearly



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a quarter of Ex-Im's overall exposure is in that sector, so Ex-Im's long-standing connections to the industry — rather than a desire to counter China — are probably why the bank continues to deepen ties with Pemex.

This brings us to another question: How can some members of Congress reconcile subsidizing so many foreign oil and gas companies in light of their stated concerns about climate-related issues? Pemex's record on that front should particularly disturb those who so loudly proclaim their environmental interests.

Don't be quick to blame this fiasco on President Donald Trump and his Republican political appointees alone, either. One of his political appointees to Ex-Im's board of directors is a Democrat. And under President Barack Obama, Ex-Im happily extended the same favors to the foreign oil and gas company. In fact, Ex-Im data show that between 2007 and 2015, Pemex received over \$7 billion in financing from the United States.

The overarching lesson from this mess is that Congress was unrealistic to expect Ex-Im to change its ways. The bank can assert that things will be different, or that it will now focus on fighting China, but at the end of the day, its relationship with Pemex stretches back more than 70 years — a fact about which the agency boasts in its press release.

As long as Ex-Im holds tight to its favored companies, nobody should expect major results in any so-called transformational sectors. Old dogs won't learn new tricks. And as far as Congress' reauthorization of the Export-Import Bank, I'm reminded of another canine aphorism: "As a dog returns to his vomit, so a fool repeats his folly."

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