



Pressure Increasing to Reopen Export-Import Bank

It's been just two weeks since the Export-Import Bank's charter lapsed — that “fund of corporate welfare” as criticized by presidential candidate Barack Obama in 2008 before reality set in — and two predictable things have occurred: The world continues to turn without it, and K-Street lobbyists [are busy trying to resurrect it](#).

With massive radio advertising and extensive help from the media publishing op-eds in its favor, the chances are increasing that the zombie will come back to life.

The deceased bank, touted as offering loan guarantees to small businesses wanting to do business overseas but unable to obtain financing in the regular way, was turned into a slush fund of free money to the country's largest corporations: Boeing, General Electric, Bechtel, and Caterpillar. It was rife not only with low interest loans and guarantees to companies that didn't need them (but took them because they could), but with corruption as well. The bank's own internal Office of Inspector General (OIG) remains active, continuing to work on dozens of cases involving special deals and fraudulent documents and rules violations in approving loans.

And it was not just corporate giants that were getting special dispensation, either. China, Russia, Saudi Arabia, and the United Arab Emirates were also taking advantage of low-interest-rate loans guaranteed by the U.S. taxpayer, saving them millions while costing companies that didn't have special access to the trough opportunities and lost labor forces. As Veronique de Rugy, a fellow at the Mercatus Center, so eloquently noted, jobs that were gained in companies enjoying special Ex-Im treatment were lost elsewhere.

And Wall Street banks also enjoyed the party while the punch bowl was full. In a private conversation, an official with JPMorgan — the bank that most took advantage of being able to offer lower-than-market rate loans thanks to the Ex-Im slush fund — said, “It's free money.”

Delta Airlines CEO Richard Anderson, one of the bosses of the companies penalized by the Ex-Im Bank, stated in testimony before the House Financial Services Committee in June 2014 that by the Ex-Im Bank giving his competitors special advantages through low interest rate loans, more than 7,500 domestic airline jobs have disappeared. He explained:

Many of those airlines [favored with low interest rate loans by the Ex-Im Bank] are themselves heavily owned or heavily subsidized by foreign governments.

Emirates Airlines, for example, is owned by Dubai and receives benefits from that ownership that make it an extraordinarily strong competitor ... [because of that special treatment domestic customers must pay] fees and taxes that make up over 20 percent of the average ticket price.

Put another way, every time someone flies domestically, his ticket is 20 percent higher than it would be without that subsidized foreign competition, aided and abetted by largesse from the Ex-Im Bank. In his testimony, Anderson presented an analysis of the cost advantage given to Emirates Airlines “that





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illustrated how the [Ex-Im Bank's] loan guarantees save Emirates as much as \$20 million in financing costs per plane.... Emirates is essentially getting a free additional widebody plane for every eight new planes it buys. That kind of deal is simply not available to airlines that must rely on market financing," explained Anderson.

He added that if all Emirates Airlines' Boeing widebody aircraft were financed with Ex-Im Bank below-market interest rate loans, "Emirates may be receiving a total subsidy [thanks to the Ex-Im Bank] of up to \$188.7 million per year."

And then there's Pemex, the Mexican state-owned petroleum company, with a market capitalization of half a trillion dollars, which nevertheless was able to secure more than \$7 billion in U.S. taxpayer financing to help fund deals with American companies.

If those K-Street lobbyists have their way, the Ex-Im Bank will be resurrected and will continue to inflict itself on the hapless U.S. taxpayer once again, providing benefits to crony capitalists such as Boeing and JPMorgan, while allowed the culture of corruption inside to flourish unabated.

A graduate of an Ivy League school and a former investment advisor, Bob is a regular contributor to The New American magazine and blogs frequently at www.LightFromTheRight.com, primarily on economics and politics. Related article:

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