

Tea Party Picks Losing Fight Over U.S. Export-Import Bank

By Brian Wingfield and Kathleen Hunter on May 17, 2012

It was business as usual at the U.S. Export-Import Bank Sept. 30, though its charter was set to expire at midnight. The board approved \$1.2 billion in loan guarantees to help Air India Ltd. buy jetliners from Boeing Co. (BA) ([BA](#)), part of \$3.4 billion in financing it handled that day.

Why worry? The bank had been around since the New Deal, helping U.S. businesses compete in the international marketplace. Its periodic reauthorization had been a matter of routine. Committees in both chambers of Congress had stamped their overwhelming approval on bills to renew the charter.

All of that was about to change. The loan guarantee to Air India angered Delta Air Lines Inc. (DAL) ([DAL](#)) and other U.S. carriers just as resentment of the bank as a government meddler in business exploded into opposition by anti-tax Tea Party-aligned Republicans. For months, the bank's survival was in doubt while supporters such as the U.S. Chamber of Commerce, caught off guard, warred against Delta, the Club for Growth and the libertarian Cato Institute. A bipartisan compromise saved the institution when the Senate voted 78-20 May 15 to adopt a deal negotiated in the House to extend the lender's charter for three years and increase its lending limit to \$140 billion.

Business groups that supported reauthorization "made their voices heard on Capitol Hill," Ex-Im Chairman and President Fred P. Hochberg said in an interview after the Senate vote.

That there was a fight at all amazed the bank's backers.

Agency Creates Jobs

"We've got an agency that creates jobs, does it at no cost to the taxpayer, generates and has delivered \$1.9 billion to the Treasury over the last five years," according to Hochberg, who counts President Barack Obama and some of the country's most influential industry groups among his allies.

"It's hard for me to fully understand what the debate is," Hochberg said in an April interview from his office overlooking the White House across leafy Lafayette Square.

The story of how the Ex-Im Bank, for decades a fairly invisible cog in the bureaucratic machinery, was almost put out of business is a case study in the politics of Washington, where Congress has been paralyzed over fundamental issues about the scope and role of government.

Since it was founded in 1934, the bank has been reauthorized every few years with little or no debate, most recently in 2006 without so much as a request for a roll call vote in either chamber.

Sign of Trouble

A sign of trouble in Congress came in December, when some Republicans on the House Financial Services Committee objected to a plan to reauthorize the bank for four years and raise its lending cap by 35 percent to \$135 billion. House leaders considered making the Ex-Im measure part of an omnibus year-end spending bill.

Representative Scott Garrett of New Jersey said he and other Republicans argued successfully to drop the measure from the spending bill.

That left the bank vulnerable to a stand-alone vote and the onslaught that ensued. Garrett said in an interview that that was just what the insurgents, their numbers swelled by Tea Party freshmen, wanted.

“We’ve never actively been fighting the Ex-Im Bank like we did this time,” said Andrew Roth, vice president of government affairs for the Club for Growth, a Washington-based organization that favors smaller government.

Opposition to federal intervention in the economy by the Tea Party movement in 2010 had given the club’s limited- government mantra more attention in Congress. The group alerted lawmakers on Jan. 31 that it would watch how they voted on the bank’s reauthorization.

‘Pumping Out E-Mails’

“Thereafter, we were pumping out e-mails to the hill -- two, three, four times a week,” asserting that the bank’s lending had supported a rogue’s gallery of beneficiaries including Solyndra LLC, Roth said.

While the bank provided a loan guarantee to a Belgian bank that supported the purchase of Solyndra’s solar panels, the U.S. lender wasn’t exposed to Solyndra directly, according to an Ex- Im fact sheet published in April.

Obama, who has set a goal of doubling U.S. exports by the end of 2014, weighed in. He endorsed the bank in a Feb. 17 speech at a Boeing plant in Everett, Washington. Ex-Im will give “American companies a fair shot by matching the unfair export financing that their competitors receive from other countries,” Obama said.

Heritage Foundation

Groups long opposed to the bank, including the Heritage Foundation and Cato Institute, joined the fray. Their message

resonated with some members of Congress, such as Senator Jim DeMint, a South Carolina Republican and founder of the Senate Tea Party caucus.

“It’s not like it was 10 years ago: We are actually guaranteeing loans to companies that are part of governments that are being downgraded,” said DeMint, who led much of the opposition.

In mid-March, House Majority Leader Eric Cantor circulated a plan to reauthorize the bank for a year, with a 13 percent increase in its lending limit. The rank and file balked.

“I remember that being the moment when leadership realized that conservatives would actively fight against this,” Roth said.

U.S. carriers led by Delta had filed a legal challenge to the bank, alleging in a Nov. 16 lawsuit that its support for airlines outside the U.S., including Air India, may provide an unfair boost to competitors.

‘Negative Impact’

The Ex-Im Bank “routinely fails to evaluate the negative impact that its commitments have on domestic industries,” an industry group, Airlines for America, said in the lawsuit. The bank disputes the claims in the case, pending in a federal court in Washington, D.C.

Sensing an opportunity in Congress, the airlines opened a fresh front. They had just the guy to lead the charge.

Richard Anderson, 57-year-old chief executive officer of Delta, had a reputation as a maverick and the platform to make a case. He is chairman of Airlines for America, which spent \$1.13 million on lobbying in the first three months of 2012, according to the Center

for Responsive Politics, a non-partisan campaign finance watchdog group.

Along with other airlines that depend on profitable overseas routes, Delta had reason to worry about competitors such as Air India and Dubai's Emirates Airline buying Boeing wide-body jets with Ex-Im financing to expand their trans- Atlantic business.

Chamber of Commerce

In April, Anderson said in a speech to the Chamber of Commerce, an ally of the bank, that Ex-Im financing let overseas rivals pay \$1 million a year in interest payments per plane, compared with the \$4 million annually Delta pays.

“We wouldn't be raising the Ex-Im Bank issue if it didn't really hurt us, and it does,” he said.

Delta spent \$667,604 in lobbying during the first three months of 2012, on top of \$2.5 million last year, federal records show. Its lobbying efforts are led by Andrea Newman, a campaign donor to Cantor, a Virginia Republican.

Also working on behalf of the airline are Fierce, Isakowitz & Blalock, a lobbying firm that employs several former aides to Republican Senators Mitch McConnell of Kentucky and Lindsey Graham of South Carolina, and Elmendorf Ryan LLC, a Democratic lobbying firm, disclosure records show. By early 2012 the Breaux Lott Leadership Group, another firm on Delta's payroll, focused on Ex-Im.

'Much More Vocal'

The bank and its supporters were surprised by the aggressive efforts. Opponents of the lender “were much more vocal than we expected them to be,” said Christopher Wenk, senior director for

international policy at the Chamber of Commerce, the nation's largest business group.

The chamber last year spent \$66.4 million on lobbying, more than any other industry group in Washington, according to the Center for Responsive Politics. In recent years, it has focused on other battles including TransCanada Corp. (TRP)'s Keystone XL pipeline.

With members including Ex-Im beneficiaries Boeing, General Electric Co. (GE) ([GE](#)) and other companies doing business overseas, the Chamber of Commerce turned its attention to keeping the lender alive.

"We really upped our game on Ex-Im" after the first of the year, Wenk said.

Other lobbying organizations put their machines into overdrive. The focus: jobs, the same argument airlines were using on the other side.

Boeing Hires Firms

The National Association of Manufacturers, based in Washington, and the Aerospace Industries Association, based in Arlington, Virginia, set up meetings between lawmakers and manufacturers who rely on Ex-Im financing.

Lobbyists for Boeing, the largest recipient of Ex-Im support, took to Capitol Hill armed with statistics of the jobs that depend on Ex-Im financing. The airplane and defense giant, which spent \$4.1 million on advocacy during the first three months of 2012, paid nine firms to help make the case, Senate lobbying records show.

Some Republicans were unswayed.

"I realized that we had an entity that was handing out huge subsidies that benefit only about 10 major companies," said Justin

Amash, a Michigan freshman, who proposed legislation to abolish the bank. He campaigned on a pledge to “end corporate welfare.”

The bank used its annual meeting on April 12, held at the Omni Shoreham Hotel on the edge of Washington’s Rock Creek Park, to push back.

President Clinton

Hundreds of business people -- from as far away as India and Nigeria, many interested in buying U.S. goods -- crammed into the hotel’s cavernous basement ballroom. Ex-Im Bank’s Hochberg led what resembled a pep rally for reauthorization. The crowd rose and applauded as former President Bill Clinton took the stage.

“Whether you are Republicans, Democrats or independents, I urge you to ask the Congress to reauthorize” the bank, Clinton said.

Supporters were soon using military-style language in their appeal. “To unilaterally surrender and do away with the bank because of an ideological position, and the whole world has their own version of the Ex-Im bank, is not smart to me,” Graham said. The senator is from South Carolina, where Boeing has a manufacturing plant for its 787 aircraft.

Deal Struck

With business leaders expressing shock at the opposition from generally pro-business Republicans, Hoyer, the No. 2 Democrat in the House and an aide to Minority Leader Nancy Pelosi, met privately with Cantor to negotiate a solution. The lawmakers worked through their recess in early May and, at 7 p.m. Friday, May 4, Hoyer of Maryland announced a compromise. It passed the House five days later by 330-93, with all the “nays” coming from Republicans.

The legislation is a “first step” to increase transparency in bank transactions and phase out government subsidies for wide-body aircraft, Delta spokesman Trebor Banstetter said in a statement.

While the bank survived, its days of routinely winning reauthorization may be over.

Republicans missed an opportunity to eliminate a government entity and make their case that the president’s policies promote “crony capitalism,” said Dan Holler, Heritage Action’s communications director. Still, he said, they laid the groundwork for more scrutiny of the bank when its charter is next due for renewal.

“What you’re seeing is a fundamental change where members of Congress, especially conservatives, aren’t afraid to debate these issues anymore,” Holler said. “The supporters of the bank are going to have a lot harder time justifying its existence, given all the pressure that was put on reauthorization this time around.”

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