

# Bloomberg

## Export-Import Plan Said to Be Short on Loan Certainty

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House Republican leaders are considering a short-term extension of the 80-year-old U.S. Export-Import Bank that is set to expire this month, a party aide said.

An extension of several months is being discussed, said the Republican aide, who asked not to be identified because no plans have been made public. The Export-Import Bank provides loan guarantees, loans and insurance to help foreign companies buy U.S. goods.

The agency has become the target of some Republicans, including House Financial Services Committee Chairman Jeb Hensarling of Texas, who have called for abolishing it and relying on the private sector to fill the role. Debate on the reauthorization begins next week when Congress returns from a five-week recess.

Without a reauthorization, the agency would be unable to authorize new loans though it still could manage existing loans and contracts. A short-term extension would push the debate until after the November congressional election while leaving businesses with uncertainty.

“Business people don’t work six weeks at a time,” Export-Import Bank President Fred Hochberg said in an Aug. 21 interview. “I understand Congress, but that’s not the real world of business. That’s not the world of profits and loss, sales and employment. That’s legislative language.”

### Winners, Losers

Staff members for Hensarling and House Speaker John Boehner, an Ohio Republican, said today that no agreement has been reached.

“Chairman Hensarling is continuing to discuss the issue with members and is opposed to reauthorizing Ex-Im because Washington shouldn’t pick winners and losers,” David Popp, a Financial Services Committee spokesman, said in an e-mail.

Hensarling has called Ex-Im “crony capitalism” for its frequent business with Boeing Co. (BA:US) The Dallas-area congressman, 57, has long pushed a free-market agenda that has put him at odds with House Republican leaders on issues including federal insurance against floods and terrorism.

Michael Steel, a spokesman for Boehner, said discussions are continuing.

Gary Mendell, president of Meridian Finance Group, an equipment manufacturer that uses Ex-Im, said small-government advocates appear to be focusing on the agency as Republican leaders try to avoid a repeat of last year’s partial U.S. government shutdown.

## **Playground ‘Bully’**

“I’m not in someone like Hensarling’s shoes so I hate to point a finger, whether it’s him or other people involved in opposition, but it sure feels like the bully in the playground who couldn’t beat up any of the bigger kids now going after kind of a small kid,” Mendell said.

Boehner hasn’t said how he’ll vote on an Ex-Im reauthorization. House Majority Leader Kevin McCarthy, a California Republican who took over the position July 31, had said in June that he wanted to let the bank’s charter lapse.

Hochberg said he is “optimistic” that Congress will reach a deal to reauthorize the agency. He said the agency isn’t yet working on a contingency plan for the possibility that it won’t be reauthorized.

“I understand there’s a headwind,” Hochberg said. Still, he added, “We enjoy bipartisan support in the Senate. House members are independent from Senate members but there is some relationship going on and I think we’ve seen a number of members moving over and moderating some.”

## **U.S. Chamber**

The U.S. Chamber of Commerce and the National Association of Manufacturers are among the groups urging passage of a reauthorization.

“This has been all hands on deck,” said Chris Wenk, senior director of international policy for the Chamber of Commerce. “The chamber and the business coalition has been very active in members’ districts across the country.”

About 89 percent of the Export-Import Bank’s 3,842 deals during the past fiscal year benefited small businesses, according to the lender’s annual report on \$27.3 billion in financing.

Among long-term loan guarantees, 65 percent involved sales of Boeing aircraft, according to a June 3 report by the independent Congressional Research Service. General Electric Co. is also a beneficiary of the agency.

Foreign beneficiaries of Ex-Im financing, including Air India Ltd. and Emirates Airline, have drawn protests from some U.S. competitors led by Delta Air Lines Inc.

## **Chinese Company**

Since the beginning of the year, Ex-Im's board of directors has approved deals including \$18.4 million for Beijing's CMC International Tendering Corp. to buy fire trucks and related gear, and \$186 million to help a division of London-based Inmarsat Plc buy Boeing-made satellites.

Mark Calabria, director of financial regulation studies at the Cato Institute and a former Republican congressional staff member, said eliminating the Export-Import Bank is crucial for Hensarling and other Republicans aligned with the small-government Tea Party.

"If he loses on this I think it's going to demoralize not only him, but the Tea Party members of the Republican caucus," Calabria said. "It certainly is the test of the Tea Party caucus."

Calabria said a short-term reauthorization for Ex-Im beyond the election would "raise the odds of a more permanent or longer term extension" later.

## **Spending Bill**

An Ex-Im extension plan may be offered separately from legislation Congress needs to pass this month to finance the government after Sept. 30, said the Republican aide who confirmed that leaders were considering such a plan.

A Senate aide said congressional leaders aim for a House vote next week on a funding measure and for a Senate vote the following week. The measure would last until early December and would be free of policy riders to avoid the confrontation that led to the government shutdown last October.

On the Export-Import Bank, the Senate is pushing a five-year reauthorization measure by Democrat Joe Manchin of West Virginia and Republican Mark Kirk of Illinois. That measure is in line with what President Barack Obama said he wants: a five-year reauthorization, with a gradual increase of its lending limit to \$160 billion from \$140 billion.

## **Mandating Changes**

The most vocal opposition is in the House. Republicans led by Stephen Fincher of Tennessee, who opposed reauthorization in 2012, plan to introduce a bill that would renew the bank while mandating changes in business practices.

Representative John Campbell, a California Republican, has offered a draft proposal that would keep the bank in business for three years and trim the lending cap to \$95 billion.

California Representatives Gary Miller, a Republican, and Maxine Waters, a Democrat, are working on a measure to renew the bank's charter with a set of changes to the institution.

Paul Ryan, the Republican chairman of the House Budget Committee who has called for the elimination of the bank, has said he would consider reauthorizing it with changes to its charter.

The Heritage Foundation has led opposition to reauthorizing the bank, arguing that it is unnecessary and that elimination would mark a win for Republicans.

“From our standpoint the bank doesn't need to exist period, so reforming something that doesn't need to exist doesn't make sense,” said Dan Holler, a spokesman for Heritage Action for America. “Even the folks who are entertaining reform have to acknowledge Ex-Im is not very forthcoming and willing to reform.”