



Battle over government-run bank roils D.C. Conservatives turn against Ex-Im Bank, but Democrats back big business

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While Americans head off to relax for summer vacation, U.S. lawmakers are engaged in a surprisingly tense struggle over a little-known government-run bank that helps companies sell products to foreigners.

The Export-Import Bank, an institution created during the Great Depression in 1934, could close its doors soon if the House of Representatives fails to reauthorize its charter. Critics say the bank is form of corporate welfare run mainly for the benefit of large politically-connected firms. Supporters say it helps keep U.S. companies in business and puts Americans to work.

The fierce battle over a bank many Americans have never heard of has created strange political alliances. The Obama White House and most Democrats, who've often been at odds with corporate America, are staunchly in the bank's corner. The bank would live on if the Democratic-run Senate had its way.

Yet the Republican party, normally a devout ally of business, is a house divided. Although many Republicans in the lower chamber back the bank, they may be outnumbered by a large swath of conservatives infused with Tea Party support.

The brouhaha has not garnered much attention outside of Washington, but it's created a frenzy of lobbying inside the nation's capitol and is turning into a key test for Republican leaders. Back big business or side with those who want to rein in the federal government and claim a small but significant political scalp.

House Speaker John Boehner, a previous Ex-Im supporter, is wary of alienating conservatives and has declined to take a public position. His second in command and another former supporter, Majority Leader Kevin McCarthy, is now siding with the opposition.

With time running out, powerful corporate lobbyists in Washington and even some executives at smaller businesses around the country have intensified pressure on Republicans to save the bank.

What's complicating matters is the fast-approaching mid-term elections in November. Conservatives against the bank — and those sitting on the fence — don't want to cave in and alienate a vital segment of the Republican base as the party strives to recapture control of the Senate.

For most of its history, the Ex-Im bank has faced little scrutiny. Created during President Franklin D. Roosevelt's New Deal, the institution has been regularly rechartered every few years, sometimes with just a voice vote.

The bank's job is to promote U.S. exports by providing loan guarantees, credit insurance and in some cases even direct loans to foreign companies that buy American goods and services.

Ex-Im claims its loans support more than 200,000 U.S. jobs that could be endangered if the agency is closed. The current law authorizing the bank expires at the end of September.

Supporters say the Ex-Im Bank is necessary to help American companies compete with foreign rivals that receive subsidies or other financial assistance from their own governments. Otherwise U.S. businesses could lose out to European, Chinese and Russian companies.

"The Export-Import Bank is a reliable way for American business, including many small businesses, to sell their goods and services into the world marketplace," said Rep. Denny Heck, a Washington state Democrat in a recent speech. He's pushing a bill in the House to reauthorize the bank for seven years.

Critics say the Ex-Im bank has become a major outpost of crony capitalism, pointing out that most of the benefits flow to large companies with large lobbying operations in Washington. The government should not risk its own money on deals whose financing is better left to the private sector, McCarthy said in a TV interview.

The bank became more visible after the global financial meltdown in 2008. The ensuing credit crunch made it harder for companies to borrow money and cash-strapped exporters looked for alternative funding channels such as the Ex-Im Bank.

The bank's annual financial assistance more than doubled to \$35.8 billion in 2012 from just \$14.4 billion four years earlier. The number of Ex-Im approved deals surged 42% during the same span to reach an all-time high of 3,842 in 2013.

Yet only 19% of the assistance provided by the bank in 2013 went to small companies, fueling criticism that the bank is a captive of big business. Boeing, GE, Bechtel Corp. and Caterpillar were among the top recipients of aid last year.

Consider Boeing. In 2013, the giant aircraft maker received \$7.8 billion in long-term loan guarantees, accounting for more than half of all such Ex-Im guarantees last year, according to

bank documents. The aid helped foreign airlines to buy American-made jets at a cheaper cost — and largely relieved Boeing of the burden of arranging the financing.

That's precisely the problem, critics say. Well-to-do companies such as Boeing are getting government subsidies they don't need and putting the government at risk if the loans go sour.

"They see this as free money," said Dan Ikenson, a trade analyst at the libertarian Cato Institute think tank. "If they have the U.S. government underwrite these loans, then they don't have to put in their own cash."

A recent report by Standard & Poor's suggests the demise of the Ex-Im bank could hurt Boeing BA +0.04% , but perhaps not as much as the company and its supporters claim.

S&P estimates Boeing could lose some sales and might have to assume up to \$9 billion in additional customer financing – up to three times the size of its current portfolio. Yet the firm also said Boeing could probably arrange other sources of financing and not see its credit rating suffer.

GE, another big Ex-Im beneficiary, is already very handy at that approach. The company's General Electric Capital Corp. subsidiary lent out \$379.5 billion in 2013, for instance.

"Those corporations have financing arms of their own and would have no trouble either self-financing or obtaining private financing," argued Diane Katz, a research fellow at the Heritage Foundation, a conservative think tank.

Yet it's unclear how many private lenders would jump in to offer long-term loans directly if the Ex-Im Bank was killed off. Many private lenders that offer financing for large foreign purchases of U.S. goods do so because the government backs the loans, especially to buyers in politically unstable or economically depressed parts of the world.

"It's the private lenders who actually do the lending," said Francis Creighton, a spokesman at the Financial Services Roundtable, a lobbying group that represents banking interests. He argues that fewer loans would be made absent government guarantees, costing U.S. companies sales and profits.

Among a handful of large banks that work closely with the Ex-Im bank are Wall Street heavyweights such as J.P. Morgan Chase JPM -0.04% , Citigroup C +0.04% and Wells Fargo WFC -0.35% . Chase is the leader in Ex-Im related loans at \$5.1 billion, according to Veronique de Rugy, a bank critic and senior researcher at the Mercatus Center of George Mason University.

De Rugy warns U.S. taxpayers would be on the hook if the loans went bad. Yet the Ex-IM bank was largely untouched by the worldwide recession in 2008-2009, perhaps the worst global downturn since the 1930s. Bank backers say those fears are overblown