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Maine Voices: Maine's businesses should object to U.S. Export-Import Bank subsidies

The government agency aids some at the expense of others, including some major Maine companies.

By Daniel Ikenson

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If you count yourself among the majority of Americans fed up with the unsavory, business-as-usual, back-room dealing that continues to define Washington, take heart in the fact that the charter of the scandal-prone U.S. Export-Import Bank is set to expire June 30.

If you are among the misinformed or privileged few who support the bank's reauthorization, how do you justify the collateral damage Ex-Im inflicts on companies in Maine and across the country?

Ex-Im is a government-run export credit agency that provides below-market-rate financing and loan guarantees to facilitate sales between U.S. companies and foreign customers. In 2013, roughly 75 percent of Ex-Im's subsidies were granted for the benefit of just 10 large companies – including Boeing, Bechtel and GE – that could easily have financed those transactions without taxpayer assistance.

Supporters characterize the bank as a pillar of the economy, undergirding U.S. export sales, which allegedly create more and higher-paying U.S. jobs. But a fatty sheath of willful ignorance has insulated the bank from the scrutiny it deserves. Like all Washington subsidy programs, Ex-Im gives to the few, but takes from the many.

When the government subsidizes your competitor's sales but not yours, you are made worse off because your competitor can now offer lower prices or better sales terms than he otherwise could. Call these the "intra-industry" costs.

Likewise, when the government subsidizes your suppliers' sales to your competitor, you are made worse off because your competitor's costs are artificially reduced, enabling him to charge lower prices or offer better sales terms than he could without the subsidy. Call these the "downstream" costs.

Ex-Im's management and its Washington-savvy supporters have been running a shell game, dazzling Congress with the shiny new export sales it finances, while drawing policymakers' attention away from the costs those activities impose on everyone else.

Last year, Delta Airlines finally had enough and complained about Ex-Im loans to Air India, which were granted to enable the foreign carrier to purchase aircraft from Boeing.

Delta officials demonstrated how those taxpayer subsidies, made for the benefit of Boeing's bottom line, put Delta at a competitive disadvantage by reducing Air India's capital costs, enabling it to lower fares and compete more effectively with Delta for international travelers. Why should taxpayer dollars be used to promote the interests of one U.S. company over another?

The problem isn't limited to Delta. A recent Cato Institute study estimated the net costs imposed on firms in downstream industries on account of Ex-Im's subsidies to firms in supplier industries to be $2.8 billion per year, and that firms in 80 percent (189 of 237) of U.S. manufacturing industries incur costs that exceed the total value of Ex-Im subsidies they may receive.

In other words, the average firm in four of every five manufacturing industries is made worse off by the Export-Import Bank.

Maine is home to hundreds of companies in the industries that have been victimized in precisely the same manner as Delta. Maine's manufacturers of aerospace products, automobile parts, computer network equipment, electrical products, machinery, semiconductors, telecommunications equipment and more can be counted among the victims because their suppliers secured Ex-Im dollars to subsidize sales to foreign customers.

Toiletries manufacturer Tom's of Maine with 165 workers in Kennebunk; the Guilford-based surgical appliance producer Puritan Medical Products, which has 470 employees; Envirologix of Portland, with 100 workers making environmental testing equipment; and printed circuit board producer Alternative Manufacturing with 70 workers in Winthrop are only some examples of Maine businesses that bear the costs of Ex-Im's subsidies. There are many more.

According to the Cato Institute study, the five broad manufacturing sectors incurring the largest downstream costs from Ex-Im's subsidies account for 27.3 percent of Maine's manufacturing economy. Among the top 10 most heavily burdened manufacturing industries are Maine's first, third, fourth and sixth most important manufacturing industries. Respectively, these are paper; food, beverage and tobacco; chemicals, and computers and electronics.

The Export-Import Bank temporarily benefits some companies in a conspicuous manner. But it does so by quietly burdening often-unwitting American companies in downstream industries. Delta and some others have cried foul. It's time for Maine's business victims to speak up as well.

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