



## Emails reveal cozy relationship between Boeing, Ex-Im Bank

By [Eric Boehm](#)

April 3, 2015

Emails obtained by lawyers for Delta Airlines and [published this week by the Washington Times](#) provide a glimpse inside the cozy relationship between the federal Export-Import Bank and its biggest beneficiary.

Boeing receives millions of dollars of subsidies each year from the so-called “Ex-Im Bank,” which is supposed to boost American manufacturers’ sales by making it cheaper for foreign buyers to purchase their goods. But the airplane maker has been at the center of a fight over the future of the bank, which some see as a conduit for crony capitalism that helps politically connected firms like Boeing at the expense of others.

[Emails that show Ex-Im Bank officials rely on Boeing for help in justifying their subsidy programs](#) — subsidies that no other company in the country benefits from as much as Boeing — only add to the perception the bank isn’t treating everyone equally.

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**From:** Robert Morin [mailto:robert.morin@exim.gov]  
**Sent:** Saturday, September 01, 2012 7:32  
**To:** Scherer, Scott; Kim, Kristi L; Zolotusky, Kostya L  
**Subject:** VERY IMPORTANT - Fw: Economic Impact doc for Tuesday call  
**Importance:** High

Scott and Kristi and Kostya:

I do not know if you have had a chance to review this draft document and to pass it along to the internal Boeing experts (CMO Team, strategy, etc.), but Boeing should not underestimate the importance of developing a new set of procedures that are defensible as complying with our statutory provisions and at least being aware of what the Judge wrote in his ruling.

I participated by phone as I was driving to Ann Arbor in the meeting held on Thursday afternoon to discuss, but the take-away is that we do not have a lot of time. The schedule is that a draft of the new economic impact procedures (including their application to services, including air travel services) will be issued to the public for comments by September 12, and it will be finalized by the end of September.

Subjecting and applying other transactions to detailed analysis under economic impact procedures has had the effect of killing most of those deals. Accordingly, it is very important that we establish

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the correct procedures here.

Particularly, if Boeing expects Ex-Im Bank to continue supporting wide-body aircraft, we need to get this right.

Bob Morin

Emails obtained by Washington Times

HELP US HELP YOU: The Ex-Im Bank admits that economic analysis of their activities has “had the effect of killing most of those deals” in the past, so they asked Boeing to help them fudge things.

In one email, an official at the Ex-Im Bank asks for help from Boeing in finding a third-party to run an economic analysis of the bank’s operations. In another, the Ex-Im Bank shares a draft version of a soon-to-be-made-public report for Boeing’s review before publishing it.

“If Boeing expects Ex-Im Bank to continue supporting wide-body aircraft, we need to get this right,” [wrote Robert Morin, a senior vice president at the Ex-Im Bank](#) in an email to Boeing in August 2012.

Morin warned Boeing officials that “Subjecting and applying other transactions to detailed analysis under economic impact procedures has had the effect of killing most of those deals.”

What followed was a weeks-long discussion over how the Ex-Im Bank would count the seats on aircraft for the purposes of its economic analysis. Both sides express an interest in massaging the numbers to make the Ex-Im Bank look more favorable.

And why wouldn’t they? The bank itself would obviously want to appear as if it’s spending its money wisely, and Boeing would want to keep the subsidies flowing.

At one point, the Ex-Im Bank explicitly asks Boeing to select a third-party analyst for the report.

I wanted to get in touch to see if you all had made any progress with the follow-up items from the economic impact for aircraft meeting yesterday. Specifically, we were hoping to get from you the following items:

1. A revised calculation for the “1% test” (constructed in such a way to capture roughly 10% of Ex-Im large aircraft transactions) – I believe James was going to be the point person on this issue.
2. Your thoughts on the best option for who would perform the elasticity analysis outlined in Stage III, Step 2. I recognize Greg did not want Boeing attached to this analysis, but out of the other options I believe you all were still discussing what would be most palatable to Boeing. I believe the frontrunner option at the end of yesterday’s meeting was for us to outsource this work to an independent economic analysis firm, but Boeing had several concerns related to this option, namely, (1) confidentiality issues, and (2) the challenge of effectively and seamlessly managing this process involving an outside entity to ensure financing is in place by the time the plane delivers. – I know Kristi had some concerns related to this issue so perhaps she can provide feedback.

As I believe Jim mentioned yesterday, we are on a tight turnaround for modifying the proposal to reflect our revised thinking so if you all could get back to me (and Jim – cc’d on this email) as soon as possible with these items (or at least a status update on when we can expect to receive them) I would appreciate it.

Thanks again for a great session yesterday – very interesting and informative!

Best,

Claire

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Emails obtained by Washington Times

HANDPICKED: Boeing was allowed to hand-pick a third-party economic analyst for the Ex-Im Bank’s research. But I’m sure they picked someone who would be unbiased, right?

“I recognize Greg (Dole, Boeing’s director of commercial trade policy) did not want Boeing attached to this analysis, but out of the other options I believe you all were still discussing what would be most palatable to Boeing,” wrote Claire Avett, a policy analyst for the Ex-Im Bank in an email from October 2012.

“I believe the frontrunner option at the end of yesterday’s meeting was for us to outsource this work to an independent economic analysis firm, but Boeing had several concerns related to this option, namely, (1) confidentiality issues, and (2) the challenge of effectively and seamlessly managing this process involving an outside entity to ensure financing is in place by the time the plane delivers,” she added.

On one hand, it makes sense for a federal agency to maintain a working relationship with the businesses that would be affected by changes in its policies.

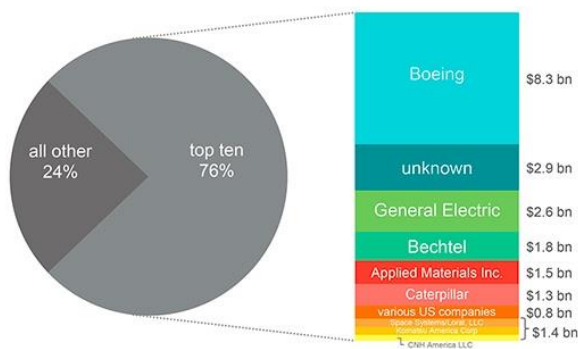
But when those policies are massively subsidized loans that overwhelmingly benefit one American company, and the federal agency is basically asking that company [to write its own rules](#) for how the program is evaluated – well, that’s a whole different thing.

And Boeing has plenty of reasons to make sure the Ex-Im Bank looks like it’s doing a good job.

[According to research from the Mercatus Center, Boeing benefitted from \\$8.3 billion in Ex-Im Bank subsidies](#) — including loan guarantees, insurance coverage, direct loans and capital investments — during 2013. General Electric came in a distant second with only about \$2.9 billion that year.

[Not surprisingly, Boeing lobbied hard for the bank’s renewal last year, when Congress nearly allowed the Ex-Im Bank’s charter to expire.](#)

Total Ex-Im Financial Assistance by Export Beneficiaries



Source: Export-Import Bank of the United States, Participant-level data, [www.exim.gov/open/participant-level.pdf](http://www.exim.gov/open/participant-level.pdf), accessed April 28, 2014.  
Data note: In some cases the beneficiary listed does not correspond to specific recipients, showing poor record keeping.  
Produced by Veronique de Rugy and Rizaq Rachmat, Mercatus Center at George Mason University. Updated July 11, 2014.

Source: Mercatus Center

**BILLIONS OF REASONS:** Boeing has good reason to make the Ex-Im Bank's subsidy programs look good.

Aside from the big businesses that benefit from the bank's existence, it doesn't make much economic sense.

Dan Ikenson, director of trade policy studies at the Cato Institute, a libertarian think tank, [told Watchdog Radio last year the bank diverts capital to government-picked "winners" and raises prices for everyone else.](#)

"It's crony capitalism. It's corporate welfare," Ikenson told Watchdog Radio this week. "We really are helping some companies' exports at the expense of the well-being of multitudes of other U.S. industries and workers."

Delta Airlines has been leading the charge against the Ex-Im Bank for several years, with its CEO arguing the bank's subsidies of Boeing planes to foreign airlines harms domestic carriers like Delta.

The emails between the Ex-Im Bank and Boeing were obtained by lawyers working for Delta and shared with the Washington Times, which published them this week.

Boeing did not respond to requests for comment from Watchdog, [but a Boeing spokesperson told the Times it should not be a surprise the Ex-Im Bank reached out to the only major aerospace manufacturer in the United States for a report on that industry.](#)