

## **International Political Economy Zone** *Attitudes of elegant despair on subprime globalization*

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### **Ex-Im Bank Lives and Trade Finance Isn't a Subsidy**

I welcomed the news that the United States' Ex-Im Bank which provides trade finance to buyers of American exports was able to secure not only continued but increased funding. While re-authorization used to be automatic, this year it was subject to some controversy over allegedly providing "corporate welfare" according to some Tea Party wingnuts. (See an earlier post.) Delta Airlines--that cash-hemorrhaging American carrier--even joined in the action over allegedly privileging foreign buyers of US aircraft alike Boeing jets.

Let me get to the point here: the re-authorization easily passed since the notion that Ex-Im Bank "subsidizes" US industries is patently false. For instance, our favourite climate change deniers at the Cato Institute invoke a canard that because Ex-Im funded some Norwegian purchases of now-defunct Solyndra's solar equipment, it was somehow encouraging corporate welfare. (Doubtful.) Matthew Yglesias also throws around the word "subsidy" while speaking of the matter. Though a good guy, perhaps a philosophy major is not our best recourse on the topic. Anyway, to the main points...

(1) Trade finance is not a subsidy in the sense that it is a commonplace practice worldwide. For American exporters that sell products elsewhere, it is not uncommon to encounter buyers in countries where banks cannot guarantee substantial financing for a sustained period. From what I understand, that's why they call them "less developed countries" or LDCs. What Ex-Im does is alleviate some of these difficulties with foreign purchases by introducing more certainty.

Indeed, many LDC voices were wariest about closing the Ex-Im Bank. The big dog Bill Clinton even showed up during an Ex-Im event featuring folks from all over the world to push for re-authorization:

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...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," [Republican Senator Lindsey] Graham said. The senator is from South Carolina, where Boeing has a manufacturing plant for its 787 aircraft.

(2) Since Ex-Im Bank critics keep yakking about subsidies and Boeing's bitter rivalry with Airbus, let's take a look at the WTO case the European Union brought against the United States concerning aircraft subsidies for Boeing [[DS 353](#)]. While there is a laundry list of tax and R&D incentives cited, *not a single complaint mentions trade finance*. Why? **Because providing trade finance is not a violation of international trade law, and someone who says so probably deserves a swift kick in the balls.** If Ex-Im Bank wants to finance foreigners' corporate jet purchases too, well, I don't see anything particularly wrong with that insofar as actionable subsidies aren't evident.

While it's cute and everything that US media attention surrounds this relatively obscure trade body for once, it's too bad the commentators are either biased or not so well-informed. The Cato folks should probably stick to printing pamphlets about the scientific community's conspiracy to limit economic activity with "so-called" climate change or whatever they're up to nowadays. Being a good guy though, Matthew Yglesias should probably read more IPE Zone ;-)