



Written by [Veronique de Rugy](#) on November 16, 2017

## Keeping the Export-Import Bank Honest

Last week, Boeing confirmed the purchase by China of 300 planes for the listed price of \$37 billion. This deal occurred without any backing from the infamous Export-Import Bank of the United States — an outfit that lowers the cost of borrowing for foreign companies when they buy some American goods, such as Boeing aircraft.

This is interesting because anyone listening to many lawmakers and the special interests that used to benefit from the Ex-Im Bank (e.g., Boeing, General Electric and the National Associations of Manufacturers) wouldn't know that such trade is possible in an era when the agency has been incapacitated.



Indeed, for well over two years now, Ex-Im hasn't been able to subsidize foreign companies abroad or at home because its charter expired for five months. Even once it was reauthorized, the bank didn't have enough members on its board to authorize deals over \$10 million. That was over 85 percent of Ex-Im activities in the past.

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During a recent confirmation hearing for former Rep. Scott Garrett as the head of the agency, many senators deemed the state of the bank a grave injustice. Yet though his nomination would put Ex-Im back in business entirely, they still hope to block him. You see, Garrett was a staunch opponent of the Ex-Im Bank when he was in Congress, so he's exactly the kind of guy who could bring much-needed accountability and transparency to the agency.

As a reminder, during the heyday of the Ex-Im Bank, just 10 massive domestic companies benefited from 65 percent of the agency's activities, which subsidized loans to equally massive and often state-owned foreign companies. Boeing alone benefited from 40 percent of Ex-Im's activities. The company shows no signs of slowing down, and its profit and market caps are much higher than when Ex-Im's charter expired. Yet somehow, these facts are happily ignored by those who want to see their crony win.

Other irrational arguments are made to justify the existence of the bank. For instance, it's supposed to level the playing field against countries that are hurting us on trade, such as China and Mexico. Yet the agency used to subsidize — and will go back to subsidizing — billions of dollars in loans to companies in these same countries. For instance, Mexico's state petroleum conglomerate, Pemex, is by far the biggest borrower of Ex-Im's largesse — with \$8.5 billion in loans backed by American taxpayers. The scandal-plagued company is also rich (98th on the Fortune Global 500 list). I'm sure the Mexican government is delighted to know that many in Congress are working hard to restore its line of credit.

This is why Garrett's nomination matters. Make no mistake; I'm not happy that his appointment would put Ex-Im back in business. But at least he understands the many problems with the institution —



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including fraud, abuse and mismanagement. In fact, even if you are an Ex-Im supporter, Garrett is still the kind of guy you should want there.

For one thing, there's really nothing he could do to destroy the bank from the inside. However, he could flag inappropriate loans, making sure that when Iran buys Boeing planes, taxpayers aren't subsidizing the deal. Keep in mind that economists have shown these export subsidies to boost the profits of Ex-Im beneficiaries while hurting the country as a whole. He could make sure the mission of the bank is honored with as little economic distortions as possible, without unduly imposing costs on unsubsidized U.S. companies. He could also alert Congress of any wrongdoing by Ex-Im employees, something previous presidents of the institution failed to do until it had become headline news.

It's still hard to argue that when the bank meets its board quorum and is allowed to operate fully, business as usual should prevail. Yet that's what Boeing and others are demanding. It will be instructive to see which senators agree to do their bidding and let the bank's dysfunction persist.

On a happier note, a failure of the committee to get Garrett through the confirmation process could allow a few of his supporters on that same committee to run the clock and prevent all other nominees from getting through. The upside to this — for those of us who understand Ex-Im's handouts to big companies — is that it would maintain the agency's inability to lend millions of your tax dollars to foreigners for just a few months longer.

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