



Resistance to Renewing Ex-Im Bank Charter is Growing

Rep. Jeb Hensarling (shown at right, R-Texas) is the chairman of the House Committee on Financial Services, the committee that decides whether the Export-Import Bank's charter will expire on September 30. He has already decided to vote no and is [working with his committee](#) to make sure the bank's death is certain.

Along the way he is making very public just how he feels about the bank. He wrote a scathing letter to two of the bank's largest supporters, Boeing and the National Association of Manufacturers, complaining about their efforts to lobby members of the House to keep the bank, and its many benefits to Boeing, General Electric, Bechtel, and Caterpillar flowing. Keeping the bank also benefits JP Morgan Chase and Citibank, who make essentially risk-free loans while charging the bank fees for doing so. Wrote Hensarling to the big corporations, "I respect your constitutional right to petition your government for redress of grievances. I just wish you had used the occasion to petition for opportunity instead of special privilege."

In a nutshell, Hensarling has exposed the chasm between those seeking to limit government to its constitutional bounds and those seeking to use government to further their own interests. The Export-Import Bank was established by an Executive Order in 1934 and was only later ratified as legitimate by Congress in 1945, allowing it to be an independent agency of the Executive branch of government.

Its mission is to provide financing for commercial transactions that require financing where the private sector is either unable or unwilling to provide it. When the risk is too high, the Ex-Im bank steps in and provides it, using the American taxpayer (always the American taxpayer) as the ultimate backstop to default.

It's supposed to provide financing primarily for small businesses, the generator of most new jobs in the economy. Thus its mission is sold on that basis: American jobs are being created, thanks to the bank, that otherwise wouldn't be. The sales promo goes on to say that there is no risk to the taxpayer as the default rate is so low that it is covered by the fees it charges to the banks for putting those otherwise non-doable deals together.

Each of these sales points is provably false, as Hensarling himself pointed out on July 11 when he exposed the "Egregious Ex-Im Deal of the Day." Back in April of 2013, the Ex-Im Bank celebrated its





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largest deal in its history: a \$5-billion direct loan to Sadara Chemical Company to build a chemical plant in Jubail Industrial City in Saudi Arabia. Ex-Im Chairman Fred Hochberg trotted out the lie:

This record-breaking transaction will support more than 18,000 American jobs in more than a dozen states. No other transaction in Ex-Im Bank's history has supported so many American jobs and no other single transaction has provided so much support to small business.

In slightly different form, the executive vice president of Dow Operations (and also, conveniently, a member of Sadara's Board of Directors), Carol Williams, iterated the same inanity:

This historic investment from Ex-Im Bank is enabling growth. The U.S. is manufacturing and delivering high-value products to Sadara — the largest industrial complex ever built in a single phase — which is creating thousands of valuable U.S. jobs.

Let's unpack these lies. First, Sadara is a joint venture developed by the Saudi Arabian Oil Company (Saudi Aramco) along with the Dow Chemical Company. In 2012 Saudi Aramco generated revenues of nearly a third of a trillion dollars (\$311 billion, to be exact), while Dow generated revenues of \$56 billion. The combined assets of the two companies exceeds an astounding \$10 trillion, according to London's *Financial Times*, thus bringing up the question as to why they would even bother troubling the Ex-Im Bank for a paltry \$5 billion when either company could fund the project out of petty cash. They did it because they wanted to, not because they needed to. It allowed banks to fund the project at essentially no risk, and it removed any default risk from the two companies. The loan was made at below market interest rates (or else Ex-Im wouldn't have gotten involved, according to its charter), thus saving financing costs and increasing the profitability of the project — all at the expense of and potential risk to the American taxpayer.

What about those 18,000 American jobs? Some have claimed that previous estimates of job gains made by Ex-Im aren't real but are based only on economic models. But that brings up this question: Did the Ex-Im Bank "create" those jobs? Of course not. The deal was going to take place anyway. The equipment, technology, and know-how was going to come from the United States in any event. Ex-Im added nothing new to the equation that wasn't already there.

As Veronique de Rugy wisely noted at *National Review Online*:

These companies don't need the bank, but they love it. It allows a select number of U.S. exporters to increase their profits and transfer onto taxpayers risk that the companies should be shouldering.

Saudi Aramco and Dow aren't the only companies with their snouts in the Ex-Im Bank's trough, either. Last year Boeing arranged for its customers to borrow more than \$8 billion from Ex-Im while GE has soaked up more than \$2 billion. Bechtel has dipped its pen into Ex-Im ink to the tune of \$1.8 billion, while Applied Materials and Caterpillar are the real pikers, having drawn only \$1.5 billion and \$1.3 billion for their customers at Ex-Im.

That's why the Ex-Im Bank charter renewal is in trouble. It's bad enough that Hochberg was forced to testify last month before House committees about corruption and fraud and loans made to known criminals and thieves. With Hensarling's determination to peel away the skin of the Ex-Im onion for all the world to see, he is now getting support from his colleagues. Reps. Tom McClintock (R-Calif.), Scott Garrett (R-N.J.), Mick Mulvaney (R-S.C.), and Justin Amash (R-Mich.) have all publicly rejected the bank's renewal, with Amash noting:

The Export-Import Bank has always been a bad idea and needs to be shut down. Export subsidies,



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like those provided by the Export-Import Bank, serve only to enrich well-connected special interests at the expense of the rest of the country.

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