

The Ex-Im Bank crisis

COMMENT

by William G. Borges

A YEAR and a half before Americans choose their next president, an issue of global relevance has emerged as potentially very important: The extension of the troubled Export-Import Bank (Ex-Im), the charter of which expires next month.

Ex-Im crisis a major democratic headache

When Congress extended its charter last September, analysts saw the bank's short-term reprieve as a prelude to the much bigger fight over the embattled institution's ultimate survival. The bank is buried in controversies, including 31 open corruption cases, and Republicans seem torn between closing it outright, this summer, and keeping it open long enough to gain political capital before ultimately closing it for good.

Recently, former Texas governor Rick Perry, a likely candidate for the Republican presidential nomination, fiercely attacked those who would extend the bank's charter. While this represents a reversal for Perry (in 2014, he defended the bank on the grounds that it helped secure American jobs) it is unlikely to do him much harm.

In fact, Democratic Party presidential frontrunner Hillary Clinton is herself linked to the questionable behaviour alleged by Perry and numerous Republicans and journalists. Her dilemma involves some Clinton Foundation contributors, including a government-owned Moroccan mining company, OCP, which this month hosted a lavish Clinton Foundation event. The problem is, last year OCP received more than US\$92 million in Export-Import Bank subsidies, and contributed more than US\$1 million to the

Clinton Foundation (which is ironic, if not hypocritical, in as much as the company has long been accused of human rights violations, while the foundation is ostensibly human rights-oriented). Hillary Clinton and her husband have fiercely defended the bank – even though the non-partisan Congressional Budget Office estimates that it costs American taxpayers US\$200 million a year, and that its dealings with foreign airlines – which Secretary of State Clinton routinely endorsed – have resulted in job losses at American carriers exceeding 7,000.

Clinton's defence of the bank is further undermined by a string of ethical matters involving foreign entities, industry ties, and her personal interests. And the most current of these potential scandals may be the most serious. While on a trip to China in 2009, the secretary of state toured a Boeing facility and made a direct pitch for Boeing. She said: "We're delighted that a new Russian airline, Rossiya, is actively considering acquisition of Boeing aircraft, and this is a shameless pitch." A year later, the deal, worth US\$3.7 billion, was consummated. Two months after the sale, Boeing gave US\$900,000 to the Clinton Foundation. And two years later, Boeing paid Bill Clinton US\$250,000 for a speech.

This latest revelation isn't merely a Republican charge intended to de-rail the Clinton candidacy. Consider what Boeing shareholder David Almasi said about the chain of events from 2009 to 2012: "(It) opens the door to charges of honest services fraud, that there was a quid pro quo between the Clinton Foundation, the State Department and Boeing."

What is critical here, insofar as the Ex-Im Bank is concerned, is timing. Scandals involving big money, foreign money, foreign governments and influence-peddling always weigh heavily against entities like the Ex-Im

Bank, which was established in order to promote international trade.

Will the Export-Import Bank survive?

The Export-Import Bank's fate is critically important to many high-profile players and institutions. Its closure could set off a chain-reaction, toppling or crippling other embattled institutions of finance, such as the Federal Reserve (Fed), the International Monetary Fund (IMF) or the World Bank. The Fed is an American agency, while the IMF and World Bank are international entities dominated by American players.

The Ex-Im Bank has long been controversial, because of its open support of large companies, even at the expense of smaller companies, their employees, and Americans. The charge of this bank is unambiguous: To offer financing, loan guarantees, and insurance, to help facilitate transactions when private-market lenders refuse to bear the risks associated with international trade. Defenders of the bank point out, correctly, that it is not in competition with commercial banks. What they sidestep, however, is the fact that the institution's mingling in international free trade provides large companies – including, importantly, multinational companies – a distinct advantage over their smaller competitors.

The Ex-Im Bank is in danger because of opposition to its existence by members of the Republican Party (GOP), which controls Congress. The agency is despised and distrusted by the GOP's "Tea Party" faction, which is very conservative and led by populists who distrust big business and big government. Last year, the Tea Party managed to defeat one of the GOP's most powerful leaders, Eric Cantor, who supported the Ex-Im Bank. And the House's leaders – Speaker John Boehner, Majority Leader Kevin McCarthy and Majority Whip Steve Scalise –

are not supporters of the bank. Boehner said he would not defend its re-authorisation.

On the other hand, the US Chamber of Commerce and the National Association of Manufacturers, along with huge companies and gigantic labour unions, are pulling out all stops to save the Ex-Im Bank. These parties claim that the bank promotes American economic interests and preserves jobs. But they face an uphill battle, especially since the House alone could block re-authorisation.

Democrats need a quick, quiet resolution

The controversy is not yet salient among Americans, since most do not know that the Export-Import Bank exists. But Democrats and Republicans alike understand that, if the issue captures public attention, those opposed to re-extension will be at a huge advantage, as voters are more sensitive than usual about corruption and cronyism between businesses and government. So politically, an Ex-Im Bank scandal extending into the 2016 election year – which could very well happen if Congress grants another short-term extension, until, say, the end of 2016 – surely favours Republicans. This is why Democrats need a quick-fix.

Whenever the debate shifts into high gear, bank supporters will have something of a Catch-22 on their hands. If they remain quiet about the charges of cronyism and the bank's exorbitant cost to taxpayers, they will cede the high ground to opponents. But a loud, spirited debate engaging voters surely will energise more opponents than supporters, making it harder for members of Congress to support re-extension. Of course, this would delight Republicans, especially those running for office in 2016. All of this amounts to a real problem for Democrats.

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