

Conservative Action Project

The Conservative Action Project, chaired by former AG Edwin Meese, is designed to facilitate conservative leaders working together on behalf of common goals. Participants include the CEO's of over 100 organizations representing all major elements of the conservative movement—economic, social and national security.

Memo for the Movement

15 July 2014

Close the Door to Cronyism: End the Export-Import Bank

Current Event:

Corporate powerhouses and their allies in the Obama administration and Congress seek to reauthorize the Export-Import Bank of the United States before the Bank's current authority expires at the end of September. The Export-Import Bank distorts the free market by providing loans to politically favored companies, at the expense of their competitors who receive no such help. It uses taxpayer dollars to subsidize goods and services that benefit foreign regimes, including Russia and China. To close the door to cronyism, the Export-Import Bank should not be reauthorized.

It is expected that Senate Democrats will schedule a vote this month to reauthorize the Bank.

Action:

- Congress should not reauthorize the Export-Import Bank. A vote to continue Ex-Im is a vote for a crony agenda that represents a dangerous collusion between favored special interests and big government in Washington.
- Organizations should contact their membership and supporters in opposition to Ex-Im. Grassroots conservatives must be educated and activated on this important issue.
- Use your media presence to highlight this issue, including using the #EndExIm hashtag online.

Issue in Brief:

The EX-IM was a “New Deal” program created during the Roosevelt administration to make loans to the Soviet Union. In 1945 it became an independent agency, its purpose ostensibly to use tax dollars to promote US exports through financially balancing out foreign trade advantages. For the last 70 years, however, it has distributed hundreds of billions of dollars in guarantees, some of which still go to communist regimes like China, with very little accountability and questionable risk management.

During the 1980’s, President Reagan tried on three separate occasions to zero out the Bank’s direct lending program. And while he was not successful in eliminating the Bank, he succeeded in reducing the Bank’s total authorizations by 50% from 1981-1988, from \$12.85 billion to \$6.42 billion.

The Ex-Im Bank hampers the free market by picking private-sector winners and losers. Two percent of American exports receive loans and guarantees backed by taxpayers. This is unnecessary corporate welfare at its finest.

In theory the Bank supports American companies, but in practice it offers foreign companies subsidized loans that allow those companies to undercut American-based companies that do not have access to the same low rates.

Recipients are often picked according to politically motivated criteria. Ex-Im has openly called solar and wind power projects a “top priority,” which has resulted in boondoggles like \$455 million going to First Solar to sell solar panels to itself.

According to a recent Wall Street Journal [report](#), “*The U.S. Export-Import Bank has suspended or removed four officials in recent months amid investigations into allegations of gifts and kickbacks, as well as attempts to steer federal contracts to favored companies, several people familiar with the matter said.*” This is the ugly cost of cronyism.

The majority of Ex-Im loans go to large multi-nationals who don’t need them. In 2012 Boeing was awarded \$12.2 billion in loan guarantees—over 80% of the total of Ex-Im loan guarantees for that year.

While the White House plays at curbing Russian aggression in Ukraine through sternly worded letters, Ex-Im made \$580 million in guarantees in the Russian market in just the last fiscal year alone.

Proposals to “reform” Ex-Im operations are merely trimming around the edges of a bad idea. The core problems with the bank—market distorting loans to politically favored companies—will persist unless Ex-Im authorization is allowed to expire entirely. Any plan to bypass regular order in the Senate or House to preserve Ex-Im constitutes an end-run around the democratic process and the interests of the American people.

Financially unstable and ethically bankrupt organizations including Enron and Solyndra have benefitted from Ex-Im loans.

The assumed benefits of Ex-Im loans are vastly overstated, and offset by the harms caused by the subsidies: U.S. exports hit a record-high \$2.2 trillion in 2013, showing no need for government trade assistance. Claims of job creation due to Ex-Im are merely based on extrapolation from national data,

not counted according to one project or another, and do not differentiate between full-time, part time, and seasonal employment.

As long as Ex-Im continues to be reauthorized, taxpayers remain exposed to tens of billions of dollars of risk on loans and guarantees. The bank's Office of Inspector General notes that the bank lacks sufficient policies to prevent waste, fraud, and abuse, while the bank itself doesn't accurately track the status of the subsidies or the fitness of the recipients.

Simply put, the Export-Import Bank has no business existing in a free society, regardless of who the Bank benefits, or who it harms, or how much money it makes.

And of course,

“There are some programs that have been duplicated by other programs that we just need to cut back. Like waste at the Economic Development Agency and *the Export-Import Bank that's become little more than a fund for corporate welfare.*” –**Senator Obama, 2008**

vs.

“By reauthorizing support for the Export-Import Bank, we're helping thousands of businesses sell more of their products and services overseas.” –**President Obama, 2012**

We urge all Senate and House Republicans to stand with House Speaker John Boehner, Majority Leader-elect Kevin McCarthy, and Financial Services Committee Chairman Jeb Hensarling in opposition to reauthorization of the Bank.

 **Signed**

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