



## The Ex-Im Bank's Troubled Flight Path

*Gary Clyde Hufbauer explains why a parochial dispute between Delta and Air India is holding up approval of a vital engine for US exports.*

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Steve Weisman: The United States Export-Import Bank plays a crucial role in American trade. Gary Hufbauer, Senior Fellow at the Peterson Institute for International Economics is here with me, Steve Weisman, to discuss the problems that have held up funding for the Ex-Im Bank in Congress. Gary, what's holding up the funding for the Ex-Im Bank?

Gary Hufbauer: Before answering that question, let me just say that the Ex-Im Bank is one of the few free lunches in terms of creating jobs, because it actually makes money. It's able to borrow from the Treasury at a very low interest rate and lend out at a marginally higher interest rate and has made a profit for many years.

Now, what's holding it up right now? There are two unusual issues that have come together. One, the Tea Party basically doesn't want anything that smacks of government intervention in the economy, and this smacks of that. So they'd like to zero out the Ex-Im Bank, notwithstanding the jobs problem and the export problem. So they come at it with a pretty strong ideological view.

The second group, a little more unusual, are airlines. In particular, Delta Airlines has a complaint—and there's some legitimacy there—that Air India gets somewhat lower financing from the Ex-Im Bank when it buys Boeings than when Delta buys Boeings, because Delta is a domestic company and Air India is a foreign carrier.

And so, Delta doesn't like this. It's competing with Air India on the Mumbai–New York route and probably with other carriers on other routes that are financed in part by the Ex-Im Bank. It wants to hold it up on that ground. And together, this has just created enough of a roadblock to keep the re-authorization of the Ex-Im Bank from going through Congress.

Steve Weisman: You mentioned the Tea Party being uneasy, but the Ex-Im Bank has always had broad bipartisan support, hasn't it?

Gary Hufbauer: Historically, it has. There have been for at least a decade, maybe even two decades, conservative voices who object to what they call "corporate welfare," and then they list Ex-Im Bank as one of the recipients of corporate welfare, and those voices have always been there, and they have an argument. But they've gotten louder or more numerous in recent years.

Steve Weisman: Is there any way of addressing Delta's concerns in a different manner, allowing the funding to go forward?

Gary Hufbauer: My argument has been that the agreement between the United States and Europe -- which basically says, "We're not going to provide additional credit support for airline sales or aircraft sales in each others' markets" -- that should be updated. I think we and the Europeans should

say that we're not going to fund at lower-than-commercial rates major international carriers which service global routes. So I'm thinking of Singapore Airlines, ANA, and Air India, and carriers like that, which are really on par with Lufthansa or Air France.

Steve Weisman: If everybody who makes planes agrees not to do this, that would solve the interest rates?

Gary Hufbauer: Yes, I think that would, in fact, solve the problem.

Steve Weisman: Is that a realistic hope? I mean, is there any effort underway to get an agreement like that?

Gary Hufbauer: Not that I know of. But I don't think it's so far-fetched. We've had a lot of export credit agreements over the past three, four decades which try to discipline race-to-the-bottom type of behavior between official export credit agencies. I think there are a lot of airlines not based in the US or Europe which are perfectly capable of paying commercial rates for their aircraft loans.

Steve Weisman: What's the prospect for resolving this? Do you think this will take a move by the leadership in both the Senate and the House?

Gary Hufbauer: I think it would first require a statement by the Treasury Department, which is sort of a custodian of the Ex-Im Bank, and maybe with the Ex-Im Bank together, that they're going to seek a renegotiation of the US-EU so-called "Home Market Pact" with this broader application that I spoke about. And that renegotiation would take a year or two, probably. But then, you might very well get the Senate and House leadership to agree to move forward on Ex-Im, which I'm sure has a majority of votes. But you can get a few votes that can block legislation, and that's what's happening right now.

Steve Weisman: Thanks, Gary.

Gary Hufbauer: Thank you.

