

# The significance of US Ex-Im

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03/07/2015

US Ex-Im – a leading project finance lender to emerging markets – ceased active lending on Tuesday night (30 June 2015), after Congress allowed the bank’s charter to lapse.

The bank’s demise may prove short-lived, though a revival is doubtful before the August 2015 congressional recess. Congress is more likely to re-authorise Ex-Im as part of an essential appropriations bill than as standalone legislation.

Without a re-authorisation, or until Congress grants one, US Ex-Im will persist in reduced form. It will continue as a portfolio manager – the US government will honour its financial obligations under existing loans – though layoffs are possible.

## Declining volumes

In fiscal years 2011 through 2013, US Ex-Im’s structured finance department approved about \$10 billion in annual loans and guarantees. Several recent landmark projects have benefited from US Ex-Im finance, including [STAR Refineri](#) in Turkey, the [Roy Hill iron ore project](#) in Australia and the [Sadara petrochemicals project](#) in Saudi Arabia.

“After the global financial crises in 2008 and 2010, Ex-Im Bank filled the gap,” says John Schuster, a principal at 32 Advisors in Washington, DC, who headed US Ex-Im’s structured finance group from October 2010 through May 2014. “A lot of finance swung to Ex-Im Bank and exports swung to the US as the result of Ex-Im Bank’s lending programmes.”

But the expectation of Ex-Im’s sunset – or at least its hiatus – contributed to a recent fall in its lending volumes. Annual volumes waned to less than \$2 billion in this fiscal year, which ends in September 2015.

“You don’t see the same robust volumes today in part because of the political uncertainty affecting the bank,” Schuster says. “Why come to the bank if it looks like it may be closed for new business?”

The need for US Ex-Im has lessened as available liquidity, and the number of active lenders, has surged since 2012, when the effects of the Eurozone crisis began to ease. Sponsors have more choices today, and export-import banks are competing to finance contracted assets.

“We could have opted for Korea Ex-Im or US Ex-Im,” says a Washington, DC-based infrastructure attorney who is advising on a foreign project financing. “With US Ex-Im going away, we have our decision made for us.”

## Politics

US Ex-Im’s charter mandates periodic congressional re-authorisations – about every four years. Congress has re-authorised the bank 16 times, President Barack Obama noted in an op/ed published Wednesday in multiple newspapers.

But as the latest deadline approached, Congress failed to schedule a vote.

“The support in Congress is there,” Obama wrote in *The Boston Globe*, among other newspapers. “Strong majorities of Democrats and Republicans have said they’d vote yes to reauthorize the bank. Congressional leaders just need to call a vote.”

A small band of congressional Republicans managed to ward off that vote before the authorisation deadline. Atlanta-based Delta Airlines lobbied against re-authorisation, noting US Ex-Im’s support for Boeing’s sales of aircraft to Delta competitors.

Jeb Hensarling, the chairman of the House Financial Services Committee and perhaps the most vocal opponent of the bank, contends that nearly 99% of US exports don’t use US Ex-Im support.

The shutdown of the bank, Hensarling said in a statement, “is a small step toward renewing a competitive free-market economy and arresting the rise of the progressive welfare state and the cronyism connected to it. Ex-Im is not only corporate welfare, it is corporate welfare for foreign companies and countries.”

Opposition to US Ex-Im bubbled up after the emergence, in 2009, of the Tea Party, a conservative populist movement that has championed governmental fiscal restraint.

Since then US Ex-Im has faced multiple potential shutdowns. The bank braced for a shutdown before a May 2012 deadline. In September 2014 [Congress granted a short-term extension](#) of the bank’s charter as part of a funding bill, but some Republicans in the House of Representatives pledged then to subject the bank to standalone scrutiny this year.

### **Export-import banks**

US Ex-Im may not be as essential to project finance today, but Schuster says that the bank will be missed if there’s another market disruption. “If the current problems in Greece have global repercussions, that need could re-materialise,” he says.

Some rival export-import banks, including Korea Ex-Im and the Japan Bank for International Cooperation (JBIC), offer direct loan products. They will benefit from US Ex-Im’s absence, as will the [Asian Infrastructure Investment Bank](#), the new China-sponsored multilateral. Several European export-import banks, including Germany’s Euler Hermes, offer guarantees alone.

In June 2015, 60 countries hosted 85 active export credit agencies. “There are now 59 countries and the US is not one of them,” Schuster says.

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