U.S. Exporters Want Expanded Role For Ex-Im Bank

Aug. 21 (NSIPS) — High-level spokesmen for trade-related Midwestern banking and industrial interests this week admitted that there is a battle underway for control over the U.S. Export-Import bank. The battle is between these pro-Ford interests and those of Wall St. who wanted the situation to serve New York financial interests.

The reason this fight is raging now is because U.S. corporations anticipating a collapse of the international banking system subsequent to a declaration of debt moratorium by the Third World, know that they must have a "fall back" institution for financing their trade. The U.S. Ex-Im bank is just such an institution. A source close to the Chairman of the President's Council of Economic Advisors, Alan Greenspan, even went one step further. In the absence of a functioning international banking system, "every corporation is thinking of Ex-Im bank as a trade-financing institution that would naturally be incorporated in an international institution for financing international trade."

Up-front indications of this ongoing battle were the following recent developments. Ex-Im Bank Director John Clarke, formerly of the Wachovia National Bank of Winston-Salem, North Carolina, recently submitted his resignation from the bank "in disgust with (Ex-Im bank chief) Stephen DuBrul's (pro-Wall Street — ed.) policies," in the words of one Ex-Im bank staffer. President Ford this month nominated Cleveland, Ohio businesswoman Margaret Kahliff to the directorship of the bank. Aides to Senator William Proxmire, chairman of the Senate Banking Committee and widely known as closely tied with New York banking interests, said that Proxmire won't let this nomination through. Last week, the Justice Department, headed by Rockefeller protegé Edward Levi, slapped former Ex-Im Bank chairman Henry Kearns with a "conflict of interest" suit alleging wrongdoings by Kearns while he headed the bank. Kearns, a Nixon appointee, presided over the affairs of the bank from 1969 to mid-1974 and was the darling of U.S. exporters for his "more bucks with less red tape" policies. Also last week, New York's financial giants — Citibank and Bankers Trust — filed a suit against Ex-Im Bank for working out preferential repayment arrangements with Zaire which would allegedly have allowed debt service payments by that debt-strapped African nation first to Ex-Im Bank and second to the New York banks. Current Ex-Im Bank chairman Stephen DuBrul flew to Tokyo last week at the same time that Presidential emissary Treasury Undersecretary Edwin Yel was in that country talking to Japanese officials known to favor expansionary export-import financing for international trade. Yeo's former boss at Pittsburgh National Bank identified his bank as the major supporter of an expanded role à la Kearns for the Ex-Im Bank. Finally, the Ford administration, in various official statements, reiterated the administration's commitment to expanded international trade, particularly ruling out the use of U.S. food exports as a foreign policy weapon in sharp contrast to the stated views of Democratic Party Presidential hopeful Jimmy Carter.

What Is Ex-Im Bank?

Set up in 1934 by the U.S. government as a vehicle to help the United States climb out of the Depression, the U.S. Export-Import Bank is a U.S. government agency that raises money in the money markets and guarantees, insures and directly finances U.S. export sales. Although the portion of exports financed by the U.S. Ex-Im Bank is piddling compared to that done by similar institutions in Britain, France, West Germany and Japan, the recent average of 10 billion dollars per year of Ex-Im Bank-subsidized interest rate financing has been a major impetus for U.S. exports. despite the December, 1974 Ex-Im Bank bill passed by Congress which has unduly restricted Ex-Im Bank export financing, especially by setting up a $300 million ceiling on trade credits to the USSR, and despite jacked-up interest rates charged to a minimum of 8.25 per cent — higher than charged by any other country's Ex-Im Bank — the chairman of the bank has considerable leeway in how much financing it undertakes. Since Henry Kearns' resignation in mid-1974, both William Casey, a former head of the Securities and Exchange Commission, and Stephen DuBrul have deliberately restricted the bank's role in U.S. export financing.

Why the fight around Ex-Im Bank's role in international trade? This is best illustrated by the response of the Vice President for International-Affairs of a Milwaukee-based multinational corporation on the necessity of implementing the U.S. Labor Party-proposed International Development Bank: "Oh, you mean something like an International Import-Export bank? Why, I think that's just what we need." This is a fairly typical reaction of export-oriented industrialists and regional bankers in the U.S.. Especially now that they face declaration of debt moratorium by the Third World and collapse of the Eurodollar banking swindle, ex-Im Bank is a must for export financing operations.

A high-level spokesman for the Pittsburgh National Bank focussed the concern as follows: "There is a feeling among exporters that the Ex-Im Bank's attention to their needs is not what it should be; that support is declining." Not only is the Ex-Im Bank of the United States financing only 9 per cent of U.S. exports versus 47 per cent in Japan, but the U.S. State Department and Ex-Im Bank chairman Stephen DuBrul have used blackmail and armtwisting to bludgeon the Japanese and Western Europeans as well to restrict state-subsidized export credits to the vast and technology-hungry Soviet sector. Instead, the banker continued: "DuBrul wants greater commercial bank participation in loans to countries with some problems." In other words, DuBrul is urging regional bankers to participate in Ex-Im Bank credits to Third World countries facing payment problems on their debts to New York banks. Rather than allow the Ex-Im Bank to expand U.S. imports, Stephen DuBrul is using the bank as a vehicle to make regional banks participate in pouring money into countries like Brazil and Chile, money to be re-channeled in turn as debt service to the New York banks.

In the words of one Ex-Im Bank staffer who identified DuBrul — formerly with the New York investment banking houses of Lazard Freres and Lehman Brothers — as a good friend of Federal Reserve Board chairman Arthur Burns: "In the nine months he's been here he's done everything he can to hold the Ex-Im Bank back. . . . There is more communication with the Federal Reserve than with the White House."