

Businesses hope struggling Ex-Im Bank gets fixed

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"It's kind of like you're going full-bore on a customer base and then the majority of that customer base is yanked out."

Andre Grikitis' experience at Intermarine in New Orleans sounds familiar to many small exporters who've relied on the Export-Import Bank to help stimulate business only to see that support crushed in recent years by political bickering over the controversial institution.

Intermarine is among 115 Louisiana businesses with a total export value of \$1 billion, who have participated from 2012-17 in Ex-Im Bank loan, insurance and guaranteed credit authorizations, according to Louisiana Economic Development.

Louisiana has about \$40.9 billion worth of exports a year and roughly 2.4 percent of that occurred with Ex-Im Bank help.

Louisiana Economic Development Secretary Don Pierson noted that 67 of the exporters are small businesses, including eight owned by minorities and six by women.

"LED and the state of Louisiana emphasize helping our small businesses, including those owned by minorities, women, veteran and other historically disadvantaged stakeholders," he said.

Opened during the Great Depression, the Ex-Im Bank helps U.S. companies sell their products overseas by providing loan guarantees to foreign buyers and other assistance for sales of goods manufactured domestically. It's backing they can't get from conventional lenders.

The U.S. Chamber of Commerce and other business groups are urging President Donald Trump to help fix the Ex-Im Bank — a move they said would boost the White House's efforts to increase U.S. manufacturing jobs and reduce the nation's trade deficit. Two administration Cabinet secretaries have indicated they support the bank, but it's unclear whether Trump will take action. Ex-Im has strong support from Democrats and business-friendly Republicans.

The bank's reauthorization was blocked in 2015 by House Republican leaders, causing its closure for five months. After supporters pushed through legislation authorizing the bank to operate until Sept. 30, 2019, a key Senate Republican committee chairman blocked confirmation of President Barack Obama's nominees to fill vacancies on the board.

The five-person board has only two members, one short of the quorum needed to approve assistance for larger projects. As a result, the bank said, 40 such projects with a total value of \$30 billion are waiting for approval.

"When the Ex-Im funding dried up — first there was the lack of reauthorization and then there was no quorum — our business suffered dramatically," said Grikitis, operating chairman of Intermarine.

Ex-Im Bank was the driving force behind the shipping company's decision to start a U.S.-flagged vessel business, he said. Some of Intermarine's customers were financed by Ex-Im. When they began looking for service, Intermarine saw a new niche.

Intermarine now has six U.S.-flagged vessels. Up until about 18 months ago, the majority of cargoes were typically high-value pieces of major projects, such as wind, energy and mining, that can run hundreds of millions of dollars.

"Those cargoes are not there today because those projects are not funded," Grikitis said. "Some of those projects

basically have gone to other (foreign) suppliers," he said.

About 85 other countries have similar export-credit agencies. Such aid is crucial for projects in developing nations, which often require government-backed financing and scare private banks because of fears of default.

Charles Sinunu, director of international dredge sales for Reserve-based DSC Dredge, said the company's export business relies on a working capital line of credit from the Ex-Im Bank.

"So, it's not just the finding financing for clients or using the program to help our exports. We use their programs to basically stay in business as well," he said.

Sinunu said it's difficult for a small business to compete with foreign companies that are backed by their government's financing.

"You've got to have a way to level the playing field to counter that. That's what we do with Ex-Im Bank," he said.

"Eighty-five percent of Louisiana exporters are small businesses, so maintaining a strong export market is vital for Louisiana," said Caitlin Cain, chief executive officer of the World Trade Center in New Orleans. "The competitiveness of Louisiana-based businesses in the global marketplace is largely dependent upon access to adequate export-finance products. Ex-Im fills the gap in commercial lending, enabling our companies to succeed in global markets, resulting in more resilient operations and new investment here and abroad."

But the Ex-Im Bank has been hobbled for more than a year by the board vacancies that prevent it from approving financial assistance to any project of more than \$10 million. In the 2016 fiscal year, the bank authorized just \$5 billion in financing — a quarter of what it did in its last fully operational year in 2014 and the smallest amount in four decades.

Many conservatives would like to kill the bank altogether, even though it costs the government no money and has generated a total profit of \$3.8 billion for taxpayers since 2009. The bank is funded by interest and fees on its aid. Although the bank receives no appropriations, lawmakers each year set the amount it can spend to pay salaries and other overhead.

Opponents, including groups such as Heritage Action for America and the Club for Growth, say the bank's assistance is corporate welfare that largely helps megacompanies such as Boeing Co. and General Electric Co. that don't need the aid.

The bank's default rate is well below 1 percent. But conservatives worry because taxpayers are on the hook for any losses the bank can't cover on about \$87.2 billion in outstanding assistance.

During the presidential campaign, Trump said he didn't think the bank was needed.

"It's sort of a featherbedding for politicians and others, and a few companies," he told the conservative National Review in 2015. "And when you think about free enterprise, it's really not free enterprise. I'd be against it."

Grikitis said Intermarine doesn't understand why the Ex-Im Bank is such a political football.

"Basically it's putting people to work," Grikitis said.

The Ex-Im Bank allows U.S. producers and engineering firms to compete globally, he said. The cargoes that Intermarine carries under the banner of a major company are put together from suppliers throughout the country, including Louisiana, Mississippi, Texas and Oklahoma.

Reauthorizing Ex-Im's charter this year is a federal policy question for Congress, LED's Pierson said. He said LED doesn't formally track loan participation in the bank, but recognizes the bank as an important niche tool in

Louisiana's economy. He said the agency makes referrals to the bank.

"For businesses in our state who export, the bank can be an important means of generating offshore sales, which brings wealth and income back to Louisiana, and helps support jobs here," Pierson said.

The bank reportedly is on a hit list of programs that the White House budget office wants to eliminate in the upcoming federal budget. White House budget director Mick Mulvaney voted against the bank's 2015 authorization when he served as a Republican House member from South Carolina.

But recently, Trump has appeared to do an about-face, signaling support for the bank.

Sen. Heidi Heitkamp, D-N.D., a bank proponent, said Trump promised her after a Feb. 9 White House meeting that he would nominate a third board member.

"I specifically talked with the president about the need to get the Export-Import Bank up and running," she said in a Senate speech a week later. "The great news is that President Trump agrees, and he informed me that we can in fact say he supports the Ex-Im Bank and that he would be nominating someone soon to serve on the Export-Import Bank."

White House spokeswoman Natalie Strom said this month that she could provide no update on Trump's plans for the bank.

The only action Trump has taken came last month, when he withdrew Obama's January nomination of Democrat Claudia Slacik to fill one of the board's vacancies. That could have indicated he doesn't plan to fill the vacancies or simply that he wants to make his own nominations.

Two key Cabinet members, Treasury Secretary Steven Mnuchin and Commerce Secretary Wilbur Ross, have publicly indicated support for the bank recently, although with changes to focus its aid on small businesses.

"Finance is clearly one of the mechanisms for international competition, so maybe there are some things at Ex-Im that could be fixed," Ross told CNBC on March 3. "Maybe a different mechanism is needed, but we need something and want to help small businesses."

Advocate business writer Ted Griggs and Jim Puzzanghera of the Los Angeles Times (TNS) contributed to this report.