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Ex-Im Bank creates political divisions in the Carolinas

BY RENEE SCHOOF AND KEVIN G. HALL

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Read more here: <http://www.thestate.com/2014/07/16/3567859/ex-im-bank-creates-political-divisions.html?sp=/99/101/#storylink=cpy>

WASHINGTON — Few people use the Export-Import Bank or even know what it is, but suddenly a government agency which helps promotes American businesses that want to sell products overseas has landed in the center of an unusual political tussle.

The Export-Import Bank of the United States divides North Carolina Senate candidates Thom Tillis and Kay Hagan. Tillis, a Republican, opposes it. Hagan, the incumbent Democratic senator, supports it. But it's not a typical partisan split. Republican lawmakers nationwide are divided over whether Congress should renew the bank's charter by a Sept. 30 deadline.

Businesses that use the bank, from the massive Boeing Co., to small family operations, say it's an important tool for expanding sales of U.S. goods and services abroad.

Reauthorization of the bank, an independent government agency, also is supported by some Republicans, including South Carolina Sens. Lindsey Graham and Tim Scott and North Carolina Sen. Richard Burr.

Two traditional Republican allies, the U.S. Chamber of Commerce and the National Association of Manufacturers, also support the Ex-Im Bank.

But opposition to it has become a litmus test for staunch conservatives.

For decades, the bank has provided loans, credit insurance and loan guarantees to U.S. exporters and foreign buyers to finance the export of U.S. products. It charges fees and interest, which cover the cost of its operations and loan loss reserves. Last year, after covering those expenses, it generated more than \$1 billion to the Treasury.

"If the Export-Import Bank was reformed to provide a level playing field so that small businesses could access its capital competitively, then it would be worth reauthorizing," Tillis said. "The bank needs to stop playing favorites by giving huge handouts to big, billion-dollar corporations."

The Chamber of Commerce supports Tillis, even though it's at odds with him on this issue.

"The Chamber is not a single-issue organization," said spokesman Blair Holmes. "We consider candidates' positions on a broad range of pro-growth issues that are important to the business community."

The Obama administration strongly supports reauthorization.

"The Ex-Im Bank helps American companies create and support jobs here at home at no cost to taxpayers and that helps us meet our export goals, which is why reauthorization of the Ex-Im Bank has historically enjoyed bipartisan support in the past," White House press secretary Josh Earnest said in June.

He said that over the past five years the bank supported 1.2 million jobs in the United States.

Hagan has brought bank Chairman Fred Hochberg to North Carolina for two export fairs, one in Charlotte and another in Greensboro. She also helped establish a new position for a textile representative on the bank's advisory board that was filled by John Bakane, CEO of Frontier Spinning Mills in Sanford.

"The Export Import Bank is an important tool to help boost North Carolina's economy, as it has supported 137 North Carolina small businesses and \$3 billion in sales for our state all without adding a dime to our deficit," Hagan said.

Hagan said she supported reforms when the bank was reauthorized in 2012 and believes they should be continued. These included making an expansion of the bank's portfolio contingent on it keeping default rates below 2 percent.

"Unlike my opponent Thom Tillis, who sides with the fringe, special interests that oppose this reauthorization, I will always prioritize bipartisan, common sense solutions to help North Carolina's middle-class families thrive," Hagan said.

Boeing, the nation's biggest exporter, has a big stake in the debate. Its financing arm, Boeing Capital Corp., depends on Ex-Im financing to sell its planes abroad. Last year, the financing helped the company sell 123 aircraft overseas and fill orders for its new 767 Dreamliner.

"This is a vitally important issue to the future success of our company, our suppliers," said Tim Keating, senior vice president of government operations for Boeing, in the June issue of Frontiers, Boeing's in-house publication.

If funding for the Ex-Im bank is allowed to expire, foreign companies would continue buying aircraft, but not those from the United States, he insisted. Europe's Airbus receives the kind of financing support that Boeing has counted on from the bank.

Many small exporters, meanwhile, are too small to get insurance on their export shipments from private banks, but they can buy this insurance from the Export-Import Bank to cover the risk of nonpayment, said agency spokesman Matt Bevens.

In addition, private banks are more likely to lend working capital to these small businesses if they know their shipments are insured, he said.

Raleigh-based AFEX, a family-owned business with fewer than 50 employees that produces fire suppression systems for off-road equipment, uses the Ex-Im Bank to insure the credit it gives companies outside the United States.

"In lieu of making somebody do a prepayment for goods, it gives us a competitive advantage in terms of being able to offer our products on a credit basis," said Mark Cavallaro, a corporate officer with the company.

AFEX does a lot of business with the mining industry, particularly in Latin America. About 65 percent of its work is international.

"I'm not going to go out of business if it disappears," Cavallaro said, "but it certainly has relieved the anxiety of giving credit to emerging markets."

In Charleston, S.C., Dale Blessing said his company, Applied Engineering Systems, was able to secure a medium-term loan guarantee to install a liquid propane gas system in Mali.

"Only through the bank were we able to these services," he said. "We were able to (secure a) contract in the neighborhood of \$4 million."

Blessing's small company did the engineering and design of the propane storage and bottling system. The specialty piping used in the system was made by South Carolina companies, and the logistics involved in getting it from the Palmetto State to Africa was handled by a Charleston company.

Jenny Fulton, co-owner of Miss Jenny's Pickles in Kernersville, N.C., attended one of the export fairs Hagan hosted.

"It is critical that the reauthorization of the bank goes through because we use them for credit insurance for our foreign purchase orders," she said. "We pay a fee. We do not get a handout."

She said she tried to get the same insurance from local and national banks, but "nobody has a program to do this for us."

Miss Jenny's pickles now are sold in China, Canada and the United Kingdom.

"Why we're having difficulty in Washington with the concept of helping small businesses export I don't know, but it's very frustrating," said Fulton, a Republican who supported Hagan in one of the Democrat's early online campaign videos.

In Washington, the bank's opponents include incoming House Majority Leader Kevin McCarthy, R-Calif., and Rep. Jeb Hensarling, R-Texas, chairman of the House Financial Services Committee. Rep. Patrick McHenry, R-N.C., a member of the committee, hasn't taken a position, but will look at reforms that may be included in reauthorization legislation, said his spokesman, Jeff Butler.

At a hearing in June, Hensarling said the bank was a "sweetheart deal" for "a politically connected bank or company."

"Taxpayers shoulder the risk and you get the reward," he said. "But if you work at a small business or other American company competing in the global marketplace it's unfair. Ex-Im effectively taxes you while subsidizing your foreign competitors."

Hensarling also complained that the Ex-Im Bank uses "crony-based lending practices." For example, he said it permits no assistance for coal projects.

Other opponents include the Club for Growth, an advocacy group whose political arm backs conservatives, and Koch Industries Inc., the Kansas-based multinational corporation of libertarian brothers Charles and David Koch.

"We are philosophically opposed, but have not lobbied on the Export-Import Bank issue," said Philip Ellender, president and chief operating officer of Koch Companies Public Sector, LLC.

The company pointed to two commentaries in The Wall Street Journal by Charles Koch for the philosophical explanation. Koch wrote that too many businesses want various kinds of help from the government _ what he called "cronyism."

On the other side, at least 34 of the nation's governors support the bank's work.

South Carolina Gov. Nikki Haley, along with Sens. Graham and Scott wrote a letter to congressional leaders in the House and Senate urging them to renew the bank's charter this year. Thousands of South Carolina families benefit from exports, they said, adding, "Allowing Ex-Im to expire will deliberately disadvantage American businesses and lead to increased unemployment."

This week, 31 governors _ 20 Democrats and 11 Republicans _ wrote to congressional leaders urging them to reauthorize. Among them were Jay Inslee of Washington, Jerry Brown of California, C.L. "Butch" Otter of Idaho, Steve Beshear of Kentucky, Tom Corbett of Pennsylvania and Pat Quinn of Illinois. Missouri Gov. Jay Nixon and

Texas Gov. Rick Perry sent separate letters recently making the same case.

Linda Dempsey, vice president of international economic affairs at the National Association of Manufacturers, said the group and its partners have done “hundreds of meetings on Capitol Hill,” and “when we bring in companies that rely in the Export-Import Bank’s services, we’re seeing very strong and very bipartisan support for the bank in both the House and Senate.”

But there also are opponents, and time is getting short to get legislation passed, she said, especially with Congress’ August recess coming up.

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