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Don't Kill the Export-Import Bank

By WILLIAM E. BROCK III JULY 28, 2014

WASHINGTON — AMONG the many things that President Ronald Reagan did to promote economic growth was to ensure a level playing field for American businesses abroad — including by supporting an [expansion of the Export-Import Bank](#), which provides financing for the export of American goods and services.

Thanks to his focused, principled leadership, the American economy grew significantly in the 1980s, a fact that the bank's recent, vociferous critics, including many from Mr. Reagan's own party, should bear in mind.

As a Republican, I would prefer that the private sector carry the entire load of supporting our international competitiveness. But the world market is not a level playing field, and the bank is absolutely vital for companies involved in the global economy. Having worked closely with Mr. Reagan on trade issues, I am confident that he felt the same.

In the 1980s, as today, the bank came under criticism, accused of playing favorites among companies and industries. Then, as now, many politicians [called for it to be "sunset," or phased out](#). But rather than abolish it, Mr. Reagan called for change, insisting that it become more transparent and fiscally responsible.

He did so because he understood the bank's clear, enduring value. Last year, [it returned about \\$1 billion to the Treasury](#), something almost unheard of for a government agency. And while the Ex-Im Bank is no replacement for the private sector, it has a remarkable record as a financial institution: Its default rate, below 1 percent, is better than that of many private banks.

And while it is true, as some critics maintain, that the bank is focused on helping very large companies, its assistance ripples through the economy to help the smaller and medium-size businesses that supply larger companies.

In my home state of Tennessee, for example, the Ex-Im Bank has supported nearly \$900 million in export sales since 2007, according to publicly available data from the bank; that translates into support for about 6,000 jobs. Nationally, over the last five years the bank has supported 1.2 million jobs — and many of those are the sort of well-paying, high-skilled manufacturing jobs that we should be championing.

The bank is particularly important today, when tight credit allocation by banks, still cautious after the recession, has left many companies, especially small and medium-size ones, unable to find financing to sell their products abroad.

These companies face tough competition from companies in other countries. Many of these foreign businesses receive credit financing from their own export-import banks, at levels unseen in the United States. In 2013 China provided \$46 billion in medium- and long-term official credit support; the United States offered only \$15 billion.

Those foreign export-import banks aren't going away; if anything, they will grow more important as the global economy continues to integrate. That is why recent calls to end the Ex-Im Bank won't work. Should we tell American companies to stop exporting? Are we prepared for the job loss that would result from decreased support for American exports?

The bank is not perfect. It could do more to increase efficiency and transparency, and to better leverage partnerships to reach even more small businesses. But as President Reagan understood, that is a reason to reform it, not end it. Opponents of the bank say that it supports just 2 percent of all exports. Still, 2 percent amounts to \$37.4 billion of American products made by American workers in American plants. That translates into tens of thousands of jobs from every state in the country.

Lawmakers of both parties say they want to introduce policies to create and support jobs. But before we go creating new government programs, we should look at what already works — including the Ex-Im Bank.

William E. Brock III, a former Republican senator from Tennessee, served as the trade representative and

Ex-Im Bank Gains Support as U. S. Lawmakers Seek Oversight

By Brian Wingfield and Laura Litvan Jul 31, 2014 10:35 AM ET

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: Luke Sharrett/Bloomberg

The Export-Import Bank was started by President Franklin D. Roosevelt in 1934 as a New Deal program to boost exports. Despite the name, Ex-Im doesn't offer import assistance. It provides loan guarantees, loans and insurance to help foreign companies — sometimes those with less-than-perfect credit — buy U.S. goods when private banks can't or won't make loans.

Support for the U.S. Export-Import Bank gained momentum yesterday as some opponents said they would consider reauthorizing the agency and lawmakers sought ways to increase its oversight and aid to small businesses.

Republicans led by Representative Stephen Fincher of Tennessee, who voted against reauthorizing the bank in 2012, plan to introduce a bill that would renew it, while mandating changes in its business practices. In the Senate, a new bipartisan measure would require the bank to report more about its operations to Congress.

Without congressional action, the bank's charter will expire at the end of September. Congress, which begins a five-week recess at the end of this week, will have 11 working days to act.

"It's unreasonable to think that the bank is just going to end Sept. 30," said Fincher, a member of the House Financial Services Committee that is debating the 80-year-old bank's renewal, in an interview.

Incoming House Majority Leader **Kevin McCarthy**, a California Republican and member of the financial services panel, made clear last month he wanted to let the bank's charter lapse. Yesterday, he wasn't so adamant.

Asked in an interview whether he might back a plan to alter the bank's business practices, he said, "The best part is, we're working through committee. And I'd love to see a bill come out of the committee."

'Crony Capitalism'

Paul Ryan, the Republican chairman of the House Budget Committee who has called for the elimination of a bank he criticized as "crony capitalism," yesterday said he would consider reauthorizing it with changes to its charter.

"Could the thing be reformed? Of course," Ryan of **Wisconsin** said at a media breakfast in **Washington** hosted by the Christian Science Monitor. Still, he said, "there are so many more things we should be dedicating taxpayer resources to than handing it out to some select companies."

Speaker **John Boehner** of Ohio hasn't said how he'll vote on the bank, which provides financing for foreign companies to buy U.S. goods.

In the Senate, a bipartisan group of eight led by **Joe Manchin**, a West Virginia Democrat, and **Mark Kirk**, an Illinois Republican, yesterday introduced a bill boosting reporting requirements for Ex-Im while also authorizing the bank for five years and gradually increasing its lending authority to \$160 billion.

'Very Hard'

The **Business Roundtable** will push "very hard" to support the Senate bill, **John Engler**, president of the Washington-based group for corporate chief executive officers, said today in a meeting with Bloomberg News editors and reporters in Washington.

"I'd like to see the Senate act," he said. "I think there's a lot of support in the House, regardless of McCarthy's position."

The Manchin bill is in line with what President **Barack Obama** said he wants: a five-year reauthorization, with a gradual increase of its lending limit to \$160 billion from \$140 billion.

"We need to find a way forward on this," Majority Leader **Harry Reid**, a Nevada Democrat, said today on the Senate floor. He said the "no-government crowd" of Republicans mostly in the House were making that difficult. "It would be a shame if we weren't able to renew this," he said.

Winnowing List

Fincher said he and a number of House Republicans, who he declined to name, are winnowing a list of about 60 proposed changes to 20 or 25. The bank would have a five-year reauthorization and a limit on

lending higher than \$95 billion and lower than the current \$140 billion. The exact level hasn't been determined, he said.

Other potential changes being considered are the inclusion of an independent auditor for aircraft financing, a provision that would let qualified commercial lenders support small-business lending and changes to the bank's accounting practices, Fincher said. He said his group is trying to increase participation for small businesses in a way that doesn't squeeze out the bank's assistance for larger corporations, such as **Boeing Co. (BA)**, that receive the bulk of the lender's financial support.

"As conservative Republicans, we don't want to disincentivize growth," Fincher said. "We think there's room for everybody."

Boeing, GE

Bank opponents, including House Financial Services Committee Chairman **Jeb Hensarling** of Texas, have sought to abolish it on grounds that it benefits companies including Boeing and **General Electric Co. (GE)**, which they say don't need government support.

About 89 percent of the Export-Import Bank's 3,842 deals during the past fiscal year benefited small businesses, according to the lender's annual report on \$27.3 billion in financing. Of long-term loan guarantees, 65 percent involved sales of Boeing aircraft, according to a June 3 report by the independent **Congressional Research Service**.

"Chairman Hensarling is for letting Ex-Im's authorization expire on schedule," said **Jeff Emerson**, a committee spokesman, in an e-mail. "That would allow for an orderly wind down of Ex-Im."

Renewal Opposed

Other conservatives are skeptical of changing the bank.

"The same people who have been talking about reforms for a while continue to" do so, said Dan Holler, a spokesman for Heritage Action for America. He said the Washington-based limited government group continues to oppose the bank's renewal in part because it provides unnecessary support for large corporations.

The Manchin-Kirk measure submitted yesterday would require the bank to provide Congress with reports on its business plan, including its efforts to support small-business exports, and it limits the lender's exposure to loan defaults.

Manchin, from a coal-producing state, plans to introduce an amendment to allow exports of clean-coal technology, the senators said in a statement.

A senator from a state with a large number of Boeing workers, South Carolina Republican **Lindsey Graham**, said, "I'm 100 percent for reauthorization for five years."

“I’m for straight-up reauthorization, and I don’t mind reforms as long as they don’t gut the program,” Graham said. “If you could construct a world where nobody had an Ex-Im Bank, count me in. But our competitor nations all have Ex-Im banks.”

Bipartisan Support

Graham said the bank has enough bipartisan support in the Senate for reauthorization, although it’s obvious changes are needed to get the bill through both chambers.

Changes that he might consider acceptable include a boost in the bank’s lending cap, more transparency about the bank’s lending decisions, more oversight authority for its in-house watchdog, and perhaps limits on which industries can and can’t benefit from the bank’s financing.

Aiding prospects in the Senate for a bipartisan bill, the chamber’s top Republican hasn’t ruled out a reauthorization. Senate Minority Leader **Mitch McConnell**, a Kentucky Republican, is waiting to see what measure emerges and what types of changes it recommends before he commits, said **Don Stewart**, his spokesman.

“We don’t yet know what form it will come up in,” Stewart said. “It’s premature.”

Delta Air Lines Inc. (DAL), which says Export-Import Bank financing has helped competitors undercut the Atlanta-based carrier, is seeking further changes. They include ending the bank’s financing for sales of wide-body Boeing jets to government-backed competitors, such as Emirates Airline of Dubai.

Gary Clyde Hufbauer, a senior fellow at the Peterson Institute for International Economics in Washington, said favoring small business at the expense of capital-goods producers such as Boeing would hobble the lender.

“If they make it a small-business bank, it’ll go out of business,” he said in a phone interview.

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Warner reiterates support for bank

Export-Import Bank key to Va. jobs, he says



BOB BROWN

Virginia Senate Race

U. S. Sen. Mark Warner left., talks with members of the media after the debate with Republican Ed Gillespie at The Greenbrier in White Sulphur Springs, WV Saturday, July 26, 2014.

[Warner reiterates support for bank](#) Associated Press |

NORFOLK — U.S. Sen. Mark R. Warner, D-Va., traveled to Hampton Roads Monday to rally support for reauthorizing the U.S. Export-Import Bank, saying it helps support thousands of port-related jobs in the area and helps companies in all corners of the state compete in the global marketplace.

The Export-Import Bank provides loans, loan guarantees and credit insurance to overseas buyers of U.S. goods. Its charter expires in September, and without legislation it would be unable to back new loans.

The bank was created by President Franklin Roosevelt in 1934 and has enjoyed bipartisan support in the past. But the agency's future has been put in doubt by some conservatives who contend it is a taxpayer-subsidized giveaway to large companies.

House Majority Leader Kevin McCarthy has said he opposes reauthorizing the bank, which is also the position staked out by Warner's Republican rival for Senate, Ed Gillespie. In a debate Saturday, Gillespie said every government program needs to be scrutinized for cost savings, including popular ones like the bank supported by the Chamber of Commerce. Gillespie's campaign also noted a May Congressional Budget Office report that said the Export-Import Bank could cost \$2 billion over the next 10 years.

Warner said that in a perfect world, the government would be able to step back from its role providing loans. But he said that would put U.S. companies at a disadvantage because other countries aren't likely to follow suit.

"We live in the real world, not the theoretical world. And when China, Brazil, France, Canada all use these tools to the advantage of their companies, and somehow America, which has been using this Export-Import Bank for decades, would suddenly say, 'Alright, we're going to take away this support.' This would cost us thousands of American jobs. That makes absolutely no sense," Warner said.

Warner made his comments at a campaign event with about a dozen unionized port workers standing behind him at a riverfront park in view of two port terminals. He said the bank helps ensure cargo moves through the Port of Virginia, supporting 10,000 port-related jobs. The Port of Virginia is the third busiest on the East Coast.

"We've got to do more to support our export capabilities. We've got to make sure we keep Virginia competitive in the global economy. This port is essential to not just to Virginia's economy, but since we are shipping a variety of goods, coal, other things from all around the Mid-Atlantic, this is essential to our nation's economy as well," Warner said.

While Warner stressed the importance the bank has in supporting the port, he also noted that about 100 Virginia-based companies have relied on the Export-Import Bank since 2007 to help export about \$1 billion in products. Of those, more than 50 percent are small businesses, according to bank statistics.

The top Virginia-based exporter to use the bank is Bristol-based Bristol Compressors International Inc.

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