

Ex-Im's Day - Congress Daily, May 13, 2010

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Fred Hochberg, president of the Export-Import Bank, the government's export-credit agency, is in the catbird seat. Hochberg's little-known institution is at the center of President Obama's initiative to double American exports in the next five years. And Hochberg has a war chest that can help the White House achieve its goal. Doubling exports in a short period of time is a tall order, acknowledges Hochberg. But, he contends, "we can do this." It will, however, require the Ex-Im Bank to reach out to prospective small- and medium-size exporters. It must better target exporters of cutting-edge technologies whose U.S. manufacturers might have a competitive edge abroad. And it must bring more money to the table.

For years, Ex-Im was exporting's stepchild. Private capital markets were awash in cash, and the export finance it provided was not in great demand. The sovereign guarantee of repayment it provided was deemed unfair competition by free-market ideologues. And critics complained that Ex-Im was the Bank of Boeing, financing the exports of huge multinational corporations that had access to alternative sources of funding, while ignoring the needs of smaller enterprises that tried to break into world markets.

For years Ex-Im was a minor player in the increasingly crowded world of official export finance. In 2007, the last year for which comparable data is available, the United States provided \$8.2 billion in medium- and long-term export credits. France made \$13 billion available, Canada \$18.2 billion and China \$38 billion.

But Hochberg, the former acting administrator of the Small Business Administration in the latter days of the Clinton administration and the hard-charging president of the direct-marketing giant the Lillian Vernon Corp., has closed the competitive gap. In 2009, thanks to a dramatic increase in demand as private trade financing dried up, Ex-Im provided \$21 billion in financing. "During the crisis, deals came to us that never came to us before," said Hochberg.

Ex-Im has already done \$13.2 billion in business in the first half of this year and hopes to exceed last year's lending, even though private trade financing is rebounding. Hochberg has clearly taken the Ex-Im to a new level and is not ready to cede that ground.

Through these efforts, Ex-Im earns money for the U.S. Treasury, thanks to the fees it charges corporations for services. It pays for its efforts out of retained earnings. And it has asked for a 26 percent increase in its budget, the amount of its earnings it retains, for the next fiscal year, to be able to help meet the president's export goal.

Ex-Im will use that money to support American exports in a variety of ways. It can provide direct fixed-rate loans to international borrowers to use for the purchase of U.S.-made goods and services. Transactions usually involve amounts in excess of \$10 million. By law, the products must be shipped from the United States and must contain at least 85 percent American content.

Ex-Im can also guarantee export financing for someone buying from the United States. With a guarantee from the U.S. government that the loan will be repaid, an international buyer can obtain competitive financing from private lenders who would otherwise not provide it.

Ex-Im provides working capital guarantees so that U.S. exporters can obtain financing from private sources to enable them to purchase raw materials, other supplies and labor to produce exports. And Ex-Im provides export credit insurance that enables exporters to limit their risk of not being paid.

This array of services positions Ex-Im to help fuel an export boom driven by demand in emerging market economies, such as China and India. "Emerging economies are not led by consumer spending, but by infrastructure spending," said Hochberg. "And these are things we make," road-building equipment, power plants and so forth. In an effort to meet the needs of smaller exporters, Ex-Im is also making its services more timely and scale appropriate. It has reduced the due diligence and legal fees associated with export deals under \$10 million in value. "If you are an exporter," said Hochberg, "fast turn-around means you can get the order." And in June it will be launching a program for exporters' supply chains, so that firms that make parts that go into exports can also obtain some financing.

Ex-Im is also financing exports of renewable energy technologies as part of the administration's effort to boost America's global market share in such products. Recently, Suniva, Inc., a manufacturer of high-efficiency solar cells and modules headquartered in Norcross, Ga., used a \$2 million Ex-Im short-term insurance policy to offer a \$500,000 credit line to a customer in India to buy American-made solar equipment.

Doubling exports is a lofty ambition. Achieving it involves financing and other nitty-gritty tasks that grease the skids of day-to-day business transactions. If Obama's export goal is to be achieved it will, in part, be thanks to efforts paving the way by Ex-Im and similarly little-known government agencies.

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