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Congress Pushes More Export Financing

By DAVID HAMMER
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WASHINGTON -- Exporter Ed Kostenski thought he had a deal wrapped up to sell \$1.37 million worth of refurbished earth-moving equipment to a buyer in Ghana.

A U.S. federal credit agency, the Export-Import Bank, had approved the sale, so the purchaser could get a bank loan. But then the agency rescinded its credit approval because of doubts about the buyer's ability to repay the loan.

Kostenski's company, Nationwide Equipment in Jacksonville, Fla., was left with a pair of bulldozers and other equipment.

To Ex-Im's critics, the case two years ago is an example of the federal agency focusing too heavily on big business deals _ such as the billions of dollars in financing help for the sale of Boeing jetliners _ at the expense of smaller exporters.

"We have orders and orders because the dollar is weak, but since 2002, Ex-Im has just dried up," said Kostenski. "If Ex-Im doesn't take care of me, what incentive is there for me to export American-made products and create jobs at home?"

Charged with increasing U.S. exports, the Ex-Im Bank uses taxpayer dollars as credit to help American companies compete for sales with heavily subsidized foreign exporters, especially in places where business can be risky.

Bank spokesman Phil Cogan said the agency wants to reach out to more small exporters, and that 80 percent of all of its financing deals already go to small businesses. "I don't think 2,617 transactions demonstrates that Ex-Im has dried up as far as small business is concerned. Far from it," Cogan said.

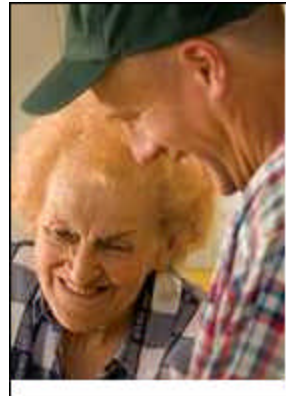
Nevertheless, the issue has attracted the attention of Congress.

The Senate is considering a bill, passed by the House in July, that would create within the bank a permanent small-business division with the power to approve loans, guarantees and insurance packages of up to \$10 million.

Four year ago, Congress ordered the agency to give small businesses at least 20 percent of the credit it approves each year _ in the form of insurance and guarantees on private bank loans, or direct loans for buyers.

But the Government Accountability Office, Congress's auditing agency, says Ex-Im has never met the

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requirements. Credit to help smaller exporters reached 19.7 percent in 2003, but fell to 16.9 percent the next year.

About \$2.6 billion, or 19.1 percent of total financing, went directly to backing all small exporters' sales in 2005.

But that total is dwarfed by the amount that went to help the aerospace giant Boeing Co. compete against France-based Airbus, which is well-financed by Ex-Im's European counterparts.

Last year, Ex-Im helped finance the sale of 78 Boeing aircraft to 19 airlines in 18 countries. About 30 percent of the bank's total \$14 billion in export financing for 2005 went to support Boeing's exports, according to the bank's annual report.

Even the bank's defenders joke about its reputation as the "Bank of Boeing."

Bank leaders told internal auditors they tried to give at least 20 percent of its financing to small business but have to consider "the broader context" of the bank's other duties to increase exports and trigger job growth.

James Lambright, who was elevated from interim to full bank chairman July 31, has taken steps to give the bank a higher profile among small exporters, such as setting up a small-business division and making the Web site easier to navigate. He told a House committee in April that too few small businesses apply for a bank credit.

The bank has its defenders.

"Are they hard to deal with? Yes; I'm one of the guys who bothers them the most," said Rob Downey, founder of International Risk Consultants in Columbus, Ohio, an international trade broker. "But they can help small exporters better than any private sector company out there."

An Ex-Im Bank package, reauthorizing the bank for another five years, is expected to pass the Senate, but it's unclear how many of the changes in the House bill will survive.

Small exporters are viewed by economists as being critical to improve the U.S. trade imbalance and for domestic job growth. Every \$1 billion in exports creates an average of 14,000 domestic jobs. Small businesses with fewer than 500 employees do \$300 billion in export sales a year.

If the Export-Import Bank could help each small exporter replicate its sales in just one more country, it would cut the nation's \$700 billion trade deficit nearly in half, said Jim Morrison, president of the Small Business Exporters Association.

The bill is H.R. 5068

On the Net:

Congress: <http://thomas.loc.gov/>

Export-Import Bank of the United States: <http://www.exim.gov/>

Small Business Exporters Association: <http://www.sbea.org/>

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