

COMMERCIAL BANKS AND CARIBBEAN TRADE

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Exports, to a greater extent than ever before determine the state of the economy of the United States and the Caribbean. In particular, the expansion of non-traditional exports should be a major area of growth in the future. The exporters of these non-traditional goods are relatively inexperienced and hesitant about entering world markets. The same phenomenon describes a small or medium-sized U.S. firm when faced with world markets. Historically, both the Caribbean Basin and U.S. exports have been financed privately with few official export promotion policies. This is still essentially the case although official Basin financing of the non-traditional export is expanding. Certainly seminars such as the one in Haiti on this subject are a good indication of a changing scene and an enhancement of the financing of non-traditional exports.

U.S. Governmental Agencies Concerned With International Trade Financing

The export-Import Bank (EX-IM) was established in 1943 to facilitate U.S. exports. Since 1945 it has operated as a wholly-owned U.S. Government Corporation. The primary function of the Export-Import Bank is to encourage commercial banks and other private sector financial institutions to assume a large share of the funding, burden and risk to finance exports. The EX-IM Bank has limited funds since it is not supported by annual U.S. Government appropriations. Its life has been extended until 1985 with \$15 billion additional dollars available for direct funding of exports from the United States. The EX-IM Bank currently supports about 12 percent of the U.S. exports. This means that about nine-tenths of the U.S. exports are financed privately.

U.S. exports to the Caribbean Basin have been and are facilitated through EX-IM support, principally through EX-IM Bank Insurance programs which are operated in conjunction with the Foreign Credit Insurance Association (FCIA). The EX-IM Bank provides political risk coverage and reinsures FCIA against excessive commercial losses. FCIA assumes the normal commercial risk. From 1970 to 1977, 58 percent of the Export-Import Bank activity in the Caribbean Basin was in such insurance programs. In 1977, the proportion jumped to more than 80 percent as the EX-IM Bank significantly reduced its worldwide and basin direct loan authorizations and loan guarantee programs.

The direct loan program of the EX-IM Bank supports long term financing of five to 15 years for major capital equipment purchases. The EX-IM Bank has also provided medium term direct credit to foreign financial institutions which in turn lend U.S. dollars to foreign buyers of U.S. imports. These credits are through EX-IM Bank's cooperative financing facility (CFF). The extent of EX-IM Bank's direct intermediate loans of the Caribbean Basin area is nominal. In 1977, it was only \$56 million. The EX-IM Bank Discount Loan Program, whereby the EX-IM Bank provides commercial banks a place to discount fixed rate eligible export obligations, has been significantly reduced.

Another Government agency involved in financing the exports of U.S. commodities to the Caribbean Basin is the Commodity Credit Corporation (CCC) operated by the U.S. Department of Agriculture. This is an export credit

program for specific agricultural commodities such as corn, cotton, cottonseed, peanuts, soy beans, eggs (processed), sorghum, soy meal, tobacco, wheat and wheat flour.

The CCC Export Credit Program supplies short term credit for periods ranging from six months to three years. In 1977 the amount financed was only \$500,000, whereas in the previous year \$21 million of U.S. agricultural exports to the Caribbean Basin were financed through the CCC.

Latin American and Caribbean Basin Government Agency Financing

Traditional Caribbean exports have been financed privately; but as Basin governments have sought to expand and diversify exports, the small or less internationally experienced firms have been induced to export with support from official export credit facilities and tax incentives. For example, in Mexico City, Mexico the National Bank of External Commerce, established in 1930, finances Mexican exports, particularly those of agricultural origin. This Mexican bank, in 1976, financed directly 2.4 billion of the 53 billion pesos of Mexican exports in that year.

Other export credit entities in the Caribbean Basin include the Central Bank of Costa Rica, San Jose, which supports exports through the state-owned commercial banks. The Dominican Republic's Center for Promotion of Exports (CEDOPEX), Santa Domingo, in 1977 was given the authority to act as an intermediary in providing non-traditional export rediscount facilities for commercial banks with credits up to one year and up to \$75,000. Jamaica operates a comparable export credit facility through its central bank in Kingston. The Barbados Central Bank, Bridgetown, has backed an export credit facility.

Probably the newest development in Basin non-traditional export finance is the Latin American Export Bank (BLADEX) incorporated in 1977 by 15 Latin American countries. This is headquartered in Panama. In May 1978, the bank had authorized capital of \$99 million, \$20 million of which was paid in. The capital was distributed in thirds: one third to Latin American central banks, one third to commercial banks, and one third to international commercial banks. The bank will deal with principal and medium term operations and some funds will be allocated to discounting acceptances, all to finance the export of primary non-traditional commodities.

Another source of funds is Latin American Bankers Acceptances. As you know, bankers acceptances are negotiable time drafts used to finance exports, imports and storage of goods. The time draft becomes a negotiable bankers acceptance when a bank assumes the obligation to make payment at maturity. The use of bankers acceptances has expanded at rates far surpassing trade growth. At the end of 1977, dollar acceptances outstanding in the United States reached 25.7 billion, nearly three times the 1973 level.

References available on request.