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The Role of the Export-Import Bank

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THE ROLE OF THE EXPORT-IMPORT BANK

July 2015

Congress is currently embroiled in a debate over whether to extend the charter of the Export-Import Bank (Ex-Im Bank or Ex-Im), which lapsed at the end of June. As the official export credit agency (ECA) of the United States, Ex-Im offers loans, loan guarantees and insurance policies that increase export opportunities for U.S. businesses and support U.S. jobs.

Ex-Im's programs help to fill gaps in private-sector financing and address market failures. For example, private credit can dry up during periods of heightened economic uncertainty, such as during the recent financial crisis. Small businesses may struggle to access private financing even if they are creditworthy. And banks may be reluctant to offer financing for exports to developing countries notwithstanding the long-term benefits opening those new markets could have for the U.S. economy.

The Ex-Im Bank also plays a vital role in helping to maintain a level playing field for U.S. exporters facing competition from foreign companies backed by their own ECAs, many of which are more active than the Ex-Im Bank. There are about 85 foreign ECAs that work aggressively to give their home countries' businesses a leg up on U.S. companies, including in all of the top 10 exporting countries.

Since 2009, Ex-Im's programs have supported about \$217 billion in U.S exports and 1.3 million private-sector jobs. Last fiscal year, Ex-Im's \$20.5 billion in financing supported an estimated \$27.5 billion in exports and 164,000 jobs.¹ Nearly 90 percent of fiscal year 2014 authorizations were for the direct benefit of small businesses. And nearly 70 percent of the dollar value of these authorizations went to support exports to emerging markets.

Ex-Im operates in a fiscally responsible manner, sending money to the Treasury to help close the deficit when the interest and fees it collects exceed its losses from defaults.² Since 1992, Ex-Im has returned nearly \$7 billion to the Treasury, including \$675 million last year. As of March 2015, Ex-Im's active default rate was less than two-tenths of 1 percent.³

Overview of the Debate over the Ex-Im Bank

For most of its 81-year history, Ex-Im has enjoyed broad bipartisan support. It has been reauthorized on 16 separate occasions under Republican and Democratic administrations alike.⁴ President George W. Bush stated that Ex-Im "helps advance U.S. trade policy, facilitate the sales of U.S. goods and services abroad, and create jobs here at home."⁵ And President Ronald Reagan noted that it "contributes in a significant way to our nation's export sales." Ex-Im's last full reauthorization in 2012 passed both houses of Congress with large, bipartisan majorities, garnering 330 votes in the House and 78 votes in the Senate.⁶

Over the years, Ex-Im has been reformed on numerous occasions, including to increase its outreach to small businesses and to improve its transparency and risk management processes.⁷ At the same time, the

United States has entered into international agreements that seek to structure and reduce international export credit competition. Ex-Im’s most recent full reauthorization included several additional reforms, all of which Ex-Im has since completed.⁸

Recently, however, Ex-Im’s existence has been called into question by conservative groups that base their arguments on ideological opposition to government intervention in private markets and a government-run bank in particular.⁹ Critics claim that Ex-Im picks “winners and losers” and constitutes “crony capitalism.”¹⁰ They assert that the private sector

would offer financing in the absence of Ex-Im—and that projects that would not be able to access private-sector financing should not be financed with government support.¹¹ They also contend that Ex-Im costs taxpayers money—and puts even more money at risk.¹² Rep. Jeb Hensarling, Chairman of the House Financial Services Committee, has been outspoken in his opposition to the Ex-Im Bank, writing that it is an example of “the shrinking of the free-market economy and the rise of a progressive welfare state.”¹³

The Ex-Im debate has created political fault lines. Douglas Holtz-Eakin, President of the conservative American Action Forum, supports Ex-Im reauthorization. He has stated with regard to conservative opposition to Ex-Im that it is not sufficient to make an argument “on the basis of ideology and faith”—not enough to “just assert that markets work—we have to show it.”¹⁴ While some conservatives adamantly oppose Ex-Im, many moderate, business-friendly Republicans support it. There are currently 61 House Republicans and four Senate Republicans sponsoring legislation to reauthorize Ex-Im.¹⁵ Speaker John Boehner has said that “there are thousands of jobs on the line that would disappear pretty quickly if the Ex-Im Bank were to disappear.”¹⁶ Congressman Stephen Fincher, lead Republican sponsor of an Ex-Im reauthorization bill in the House, has argued that Ex-Im “has been a job-creator since its inception.”¹⁷

Trade associations such as the Chamber of Commerce, the National Association of Manufacturers and the National Small Business Association strongly support reauthorizing Ex-Im. Financial institutions do as well. In fact, more than 1,000 companies large and small, trade associations and local chambers of commerce signed on to a letter that stated: “Failure to secure a long-term reauthorization of Ex-Im would amount to unilateral disarmament in the face of other governments’ far more aggressive export credit programs, which have provided their own exporters with significant financing support in recent years.”¹⁸

The Role of Exports in Supporting Economic Growth and Job Creation

More than 95 percent of the world’s potential customers live outside the United States.¹⁹ For businesses, reaching new customers by expanding into new markets offers tremendous growth opportunities. Having a strong export sector is also an important component of national economic growth. While U.S. exporters have made great progress recently, the annual trade deficit still totals about \$500 billion.

Exports in the Recovery: Exports have played a major role in helping the economy recover from the worst economic collapse since the Great Depression. Since 2009, exports have increased by more than one-third after adjusting for inflation, reaching a record of more than \$2.3 trillion last year (**Figure 1**).²⁰ Export growth has accounted for nearly 30 percent of growth in gross domestic product (GDP) over the

A History of Overwhelming Bipartisan Support for the Export-Import Bank			
Year	Reauthorization Law	Congressional Vote	
		House	Senate
2012	P.L. 112-122	330-93	78-20
2006	P.L. 109-438	Voice Vote	Unanimous
2002	P.L. 107-189	344-78	Unanimous
1997	P.L. 105-121	Voice Vote	Unanimous
1992	P.L. 102-429	332-44	Voice Vote
1986	P.L. 99-472	Voice Vote	Voice Vote

Source: Congressional Research Service

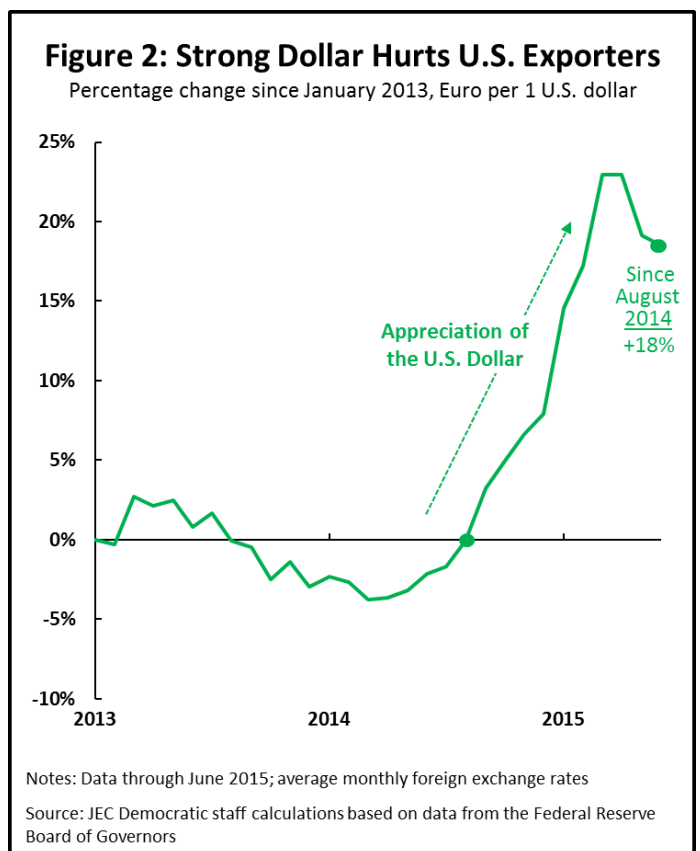
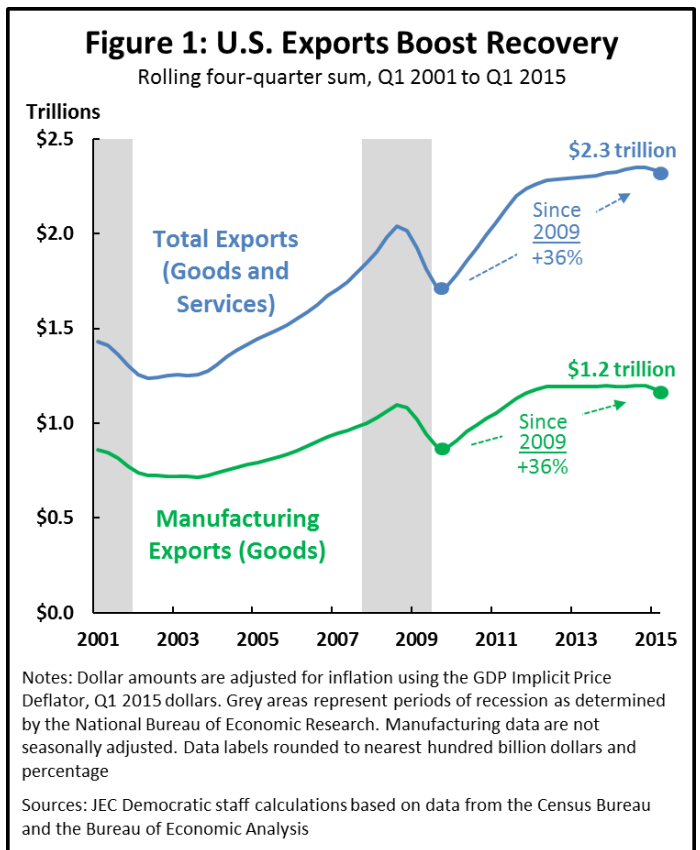
recovery—an outsized amount considering that exports represent about 13 percent of GDP.²¹ The manufacturing sector alone accounted for more than half of exports in 2014, and manufacturing exports have also increased by more than one-third in real terms over the past five years.²²

Export-Supported Jobs: Increasing exports translates directly into job creation at home. According to the Department of Commerce, exports supported nearly 12 million jobs in 2014. This represented an increase of nearly 2 million jobs since 2009 and was the highest number of jobs supported by exports on record.²³ Moreover, research shows that jobs in export-intensive sectors tend to pay more than average. Workers at firms and in industries that export earn as much as 18 percent more than workers at firms and in industries that do not export.²⁴

Factors Limiting U.S. Export Growth: Despite the success U.S. exporters have had in expanding into overseas markets, the United States continues to run a sizable trade deficit that totals in the range of \$500 billion annually.²⁵ A trade deficit constitutes a direct subtraction from GDP.

U.S. exporters have faced significant headwinds recently in the form of weak growth among major trading partners and a strong dollar. The strong dollar in part reflects the success of the U.S. recovery relative to the recoveries of other countries that suffered from the global financial crisis.²⁶ For example, as the Federal Reserve has begun to consider raising interest rates, the European Central Bank has embarked on an aggressive program of quantitative easing.²⁷

However, a strong dollar hurts U.S. exporters by making their goods and services more expensive to customers overseas.²⁸ Since August last year, the dollar has appreciated by nearly 20 percent relative to the euro (**Figure 2**).²⁹ As a result, American goods have become significantly more expensive to European buyers. Weak economic growth in Europe and elsewhere further weighs against export growth by holding down overseas demand.



Ex-Im Bank Programs and Financing Volume

Ex-Im helps increase export opportunities for U.S. businesses. Its programs offer a range of short-, medium- and long-term financing options in four major categories.³⁰

- **Direct loans:** Loans directly to foreign buyers of U.S. goods and services. The foreign buyer pays fees, interest and principal and uses the loan to purchase products from U.S. exporters. The loans are generally longer-term and have fixed rates that vary based on a number of factors.
- **Medium- and long-term loan guarantees:** Guarantees loans made by private lenders to foreign buyers of U.S. exports against default in exchange for a fee paid by the foreign buyer.
- **Working capital financing:** Guarantees short- and medium-term working capital loans or lines of credit offered by private financial institutions to U.S. exporters, often small businesses. Working capital loans are used to finance the operations of a company including buying materials, equipment, supplies and labor. There is also a direct working capital loan program.
- **Export credit insurance:** Provides insurance against nonpayment to exporters and lenders. Insurance can also allow businesses to borrow against foreign accounts receivable when they otherwise might not be able to do so. Businesses pay Ex-Im for the insurance policies.

Ex-Im Bank Transaction Volume and Jobs Supported: Last fiscal year, Ex-Im made 609 new loans and loan guarantees worth \$15.3 billion and issued 3,137 new insurance policies covering \$5.2 billion of goods and services.³¹ This brought Ex-Im’s total overall financing (including new issuances and legacy loans and guarantees) to \$112.0 billion—below the \$140 billion statutory cap for that year.³²

According to Ex-Im, its fiscal year 2014 authorizations supported \$27.5 billion of U.S. exports and approximately 164,000 jobs.³³ Since 2009, Ex-Im Bank programs have supported an estimated 1.3 million private-sector jobs in the United States.³⁴

How the Ex-Im Bank Supplements Private Credit Markets

Ex-Im was originally established during the Great Depression era in order to facilitate exports and increase employment at a time of economic hardship.³⁵ Today, it continues to play a valuable role in supporting exports. It does so by providing financing the private sector may be unable or unwilling to provide at competitive rates because of the size of the transaction, the credit risks involved or the uncertainty of operating in certain countries. Ex-Im programs are often used to fund longer-term, complex deals related to transportation and other infrastructure projects including power generation plants.³⁶

Ex-Im’s charter requires that it “should supplement and encourage, and not compete with, private capital.”³⁷ In fact, it works with private-sector financing partners on the vast majority (98 percent) of its transactions.³⁸ According to members of the banking industry, Ex-Im serves as “a vital partner for the lending community to increase trade finance availability and affordability that cannot be replaced solely by the private sector.”³⁹ Businesses both large and small support Ex-Im. Notably, Ex-Im authorizations spiked during the recent financial crisis as private-sector lenders pulled back, but authorizations have declined over the past couple of years as private lenders have increased lending as the recovery has progressed.

Ex-Im charges interest and fees for its services, and all of its programs are demand-based. Contrary to critics' claims that Ex-Im "picks winners and losers," Ex-Im does not proactively select companies to receive its support.⁴⁰ Rather, U.S. businesses and their overseas customers apply for Ex-Im's help to facilitate transactions that drive export growth and support American jobs. Some overseas customers, for example, insist on ECA support as a condition of making a purchase.⁴¹ Ex-Im reviews applications for its financing in much the same way a private bank would, and it underwrites loans and guarantees in accordance with its congressional mandate that its financing have "a reasonable assurance of repayment."⁴²

The Ex-Im Bank Sends Money to the Treasury Which Helps Reduce the Deficit

Ex-Im is a self-sustaining institution, adhering to World Trade Organization protocols outlining the nature of allowable export credit programs.⁴³ When the fees and interest payments Ex-Im collects exceed the value of any defaults and administrative costs, Ex-Im returns money to the Treasury.

Past Payments: Since 1992, Ex-Im has sent nearly \$7 billion to the Treasury, including \$675 million last year.⁴⁴ This time period includes a number of economic downturns, including the Great Recession. Ex-Im's programs have extremely low default rates. As of March 2015, the overall active default rate was 0.167 percent.⁴⁵ This compares to a current delinquency rate of 0.74 percent for commercial and industrial loans at commercial banks.⁴⁶ Moreover, Ex-Im's portfolio is well-collateralized, especially in the aircraft sector, where the value-to-loan ratio is about 1.4 to 1.⁴⁷

Future Projections: Ex-Im programs are projected to generate a budgetary surplus of about \$14 billion over the next decade according to official accounting standards outlined in the Federal Credit Reform Act (FCRA).⁴⁸ While some claim that this amount is overstated because FCRA does not account for risk aversion in the same way a private lender would, the fact is that so-called "fair-value" accounting inflates the budgetary cost of government lending programs by adjusting for costs that do not materialize.⁴⁹ Existing accounting standards already incorporate the risk that Ex-Im customers may default.

The Ex-Im Bank Helps Counter Aggressive Financing Practices of Global Competitors

There are approximately 85 ECAs around the world that offer services similar to those of Ex-Im, including in all of the top 10 exporting countries.⁵⁰ Ex-Im's programs help to level the playing field so that U.S. businesses large and small can compete on price and quality to sell their products around the world. They are a valuable tool in conducting pragmatic trade policy. Ex-Im's programs may be especially useful in certain industries, such as commercial aircraft, that are characterized by a small number of market players and a comparatively higher share of involvement of ECAs.⁵¹ In sum, while some argue that the Ex-Im Bank introduces distortions into the market, in fact U.S. businesses confront a global market already full of distortions introduced by other countries fighting on behalf of their own exporters.⁵²

OECD Standards for ECAs: Most Organisation for Economic Co-operation and Development (OECD) countries have agreed to official standards for export credit financing. The agreement, known as the Arrangement on Officially Supported Export Credits, was first reached in 1978, and it outlines the "most generous export credit terms and conditions" that member countries' ECAs can offer.⁵³ Such standards include minimum interest rates, maximum loan durations and the ability to receive notification and match export financing being offered by a competitor—in an effort to improve the extent to which business decisions are made on price and quality.⁵⁴ However, the Arrangement does not cover all ways through which countries can support their exporters, and many countries are not party to the agreement at all.

Countries with Export Credit Agencies

OECD Arrangement Participants

Note: Some of these countries offer unregulated financing outside the scope of the Arrangement

Australia	Austria	Belgium	Bulgaria	Canada	Croatia
Czech Republic	Denmark	Estonia	Finland	France	Germany
Greece	Hungary	Italy	Japan	Latvia	Luxembourg
Netherlands	New Zealand	Norway	Poland	Portugal	Romania
Slovakia	Slovenia	South Korea	Spain	Sweden	Switzerland
United States	United Kingdom				

Countries Not Participating in the Arrangement

Argentina	Belarus	Bosnia and Herz.	Brazil	China	Colombia
Egypt	Hong Kong	Iceland	India	Indonesia	Iran
Israel	Jamaica	Jordan	Kazakhstan	Lebanon	Macedonia
Malaysia	Nigeria	Oman	Philippines	Qatar	Russia
Saudi Arabia	Serbia	South Africa	Sri Lanka	Sudan	Taiwan
Thailand	Trinidad & Tobago	Turkey	U.A.E.	Ukraine	Uzbekistan

Source: Export-Import Bank and the Organisation for Economic Co-Operation and Development

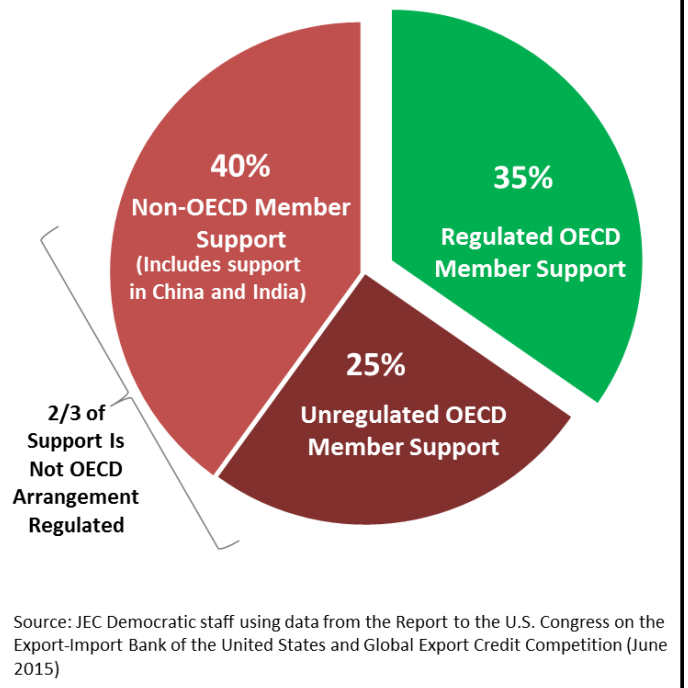
Proliferation of Unregulated ECA Activity: Recent years have seen a spike in trade-related support outside the bounds of the OECD agreement—from virtually none a decade and a half ago to about two-thirds of it today (**Figure 3**).⁵⁵ This includes financing by OECD countries outside the bounds of the Arrangement, as well as a sharp increase in financing activity by non-OECD countries, especially China.⁵⁶ This expansion of unregulated support may put U.S. exporters at a significant competitive disadvantage.

Other OECD countries: About 25 percent of all trade-related official support is by OECD nations circumventing the rules of the Arrangement by using unregulated mechanisms.⁵⁷ Such unregulated trade-related official support includes:

- Market windows:** A “market window” in theory provides export credit on market terms, but because it is being issued by a quasi-government entity, it may provide advantages over private market credit.⁵⁸ For example, market windows operate with implicit government backing and can access cheaper funding. They also get seed money from their governments and do not pay corporate taxes, unlike commercial banks.⁵⁹ However, their market-based pricing structure can allow them to turn greater profits, which may be used to subsidize officially regulated ECA financing. The ECAs in Germany and Canada have been particularly active in using market windows to provide financing, while Ex-Im does not operate a market window.⁶⁰

Figure 3: Total Official Medium- and Long-Term Trade-Related Support

Share of total dollar value, 2014



- **Untied support:** This consists of financing offered that is not directly tied to exports but that promotes a country's national interests and often leads to a purchase of exports from the lending country.⁶¹ It is often offered on more flexible terms than allowed under the OECD Arrangement, including lower interest rates and longer loan term lengths. Untied support is offered by most of the G-7 ECAs (a group including seven major advanced economies)—including Canada's, Germany's, Italy's and Japan's—but not the Ex-Im Bank.
- **Investment support:** This refers to financing made by an official ECA that is also not tied to specific exports but that typically goes to domestic companies with an equity stake in overseas projects.⁶² As such, it could lead to an increase in exports from the country. Japan offers substantial investment support, as does Germany and South Korea.

Non-OECD countries: A larger, fast-growing challenge stems from rapid increases in export financing among non-OECD countries, including Brazil, Russia, India and China (the BRICs), which now often produce major capital goods such as transportation equipment that directly compete with U.S. manufacturers.⁶³ The BRIC share of global medium- and long-term trade-related official support grew from just 3 percent in 2000 to 40 percent in 2014.⁶⁴

These non-OECD countries' ECAs often offer financing in an opaque manner and on flexible terms that may undercut the financing Ex-Im and other ECAs that are party to the OECD agreement can offer.⁶⁵ They also may not abide by the environmental guidelines outlined in the OECD Arrangement.⁶⁶ Moreover, a lack of transparency by China's ECAs, in particular, limits policymakers' ability to make comparisons.⁶⁷

Foreign ECAs Outpace Ex-Im: An analysis of standard medium- and long-term official export financing across countries—the type of financing on which countries are most likely to compete—reveals that the United States trails several major global competitors (**Figure 4**).

Dollar value: China—a rising economic competitor—is outpacing the United States by an increasing margin in offering export credit. In 2014, China's new medium- and long-term official export financing was \$58.0 billion, up from \$40.6 billion in 2013, an increase of more than 40 percent. China's official financing volume in 2014 was nearly five times the \$12.1 billion in financing in the United States—and this does not even include investment support, which pushes China's total support to over \$100 billion.⁶⁸

The ECAs in South Korea and Germany also provided more medium- and long-term export credit financing than Ex-Im in 2014. This is despite the fact that South Korea's economy is only about one-eleventh the size of the U.S. economy and Germany's economy is less than one-fourth the U.S. economy's size.⁶⁹ When counting trade-related support outside the bounds of the OECD Arrangement, South Korea's ECA financed \$29 billion—more than double the amount financed by the Ex-Im Bank.

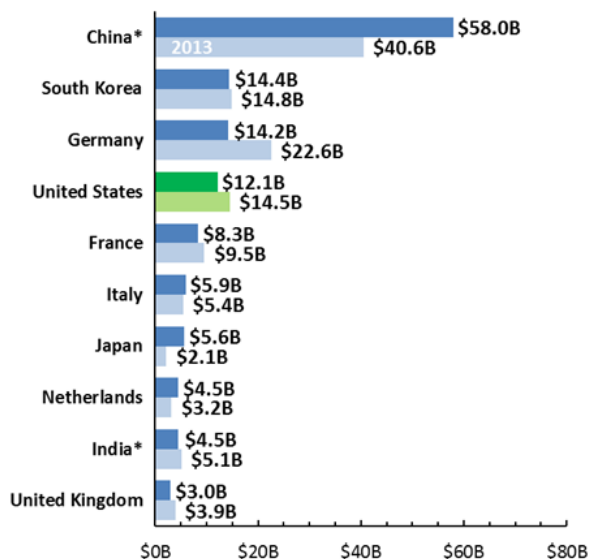
Share of goods exports: The United States is near the bottom of the G-7 in terms of standard export credit support as a share of goods exports (**Figure 4**). New U.S. longer-term export credit represented just 0.7 percent of U.S. goods exports in 2014, versus 2.5 percent of goods exports in South Korea and China.⁷⁰

Several other countries, including France, India, Italy, Germany and Japan, offered more longer-term export financing as a share of goods exports than the United States did in 2014. Among G-7 countries, only the United Kingdom trailed the United States. Without Ex-Im, U.S. exporters may be at an even greater competitive disadvantage when going up against other countries' exporters backed by their own ECAs.

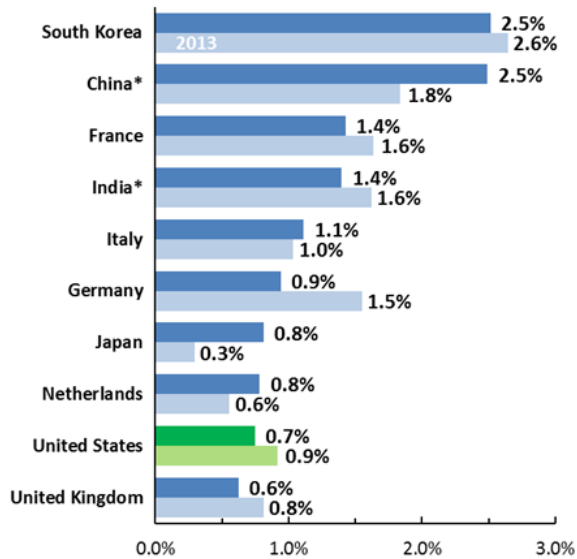
Figure 4: Comparison Between U.S. and Select Other Countries' Export Credit Financing

New medium- and long-term official export credit, U.S. dollars, 2014 and 2013

Ranked by Volume (U.S. Dollars), 2014



Ranked as a Share of Goods Exports, 2014



Note: "*" indicates that the country is not a member of the OECD

Sources: JEC Democratic staff using data from the Report to the U.S. Congress on the Export-Import Bank of the United States and Global Export Credit Competition (June 2014, June 2015) and country-specific data on exports of goods in 2013 and 2014

The Ex-Im Bank Helps Sustain U.S. Exports During Economic Downturns

From its roots in the Great Depression era to its actions on behalf of U.S. exporters during the Great Recession, the Ex-Im Bank has played a critical role in sustaining U.S. exports and supporting U.S. jobs during economic downturns. To that end, Ex-Im is just one of a large number of government programs designed to provide countercyclical support to the economy.

When private lenders around the world became less willing or able to lend during and in the aftermath of the financial crisis, both Ex-Im and foreign ECAs stepped in to help fill the void and restore confidence.⁷¹ G-20 nations recognized that credit constraints stood to further a cycle of economic pain and reduced trade, and they committed at summits in 2009 to bolster export credit insurance and other programs in order to adjust for the heightened perceptions of risk among trade counterparties.⁷² Research shows that ECAs, including Ex-Im, contributed to keeping global trade volumes from declining more than they otherwise would have during the recent economic downturn.⁷³ In this sense, ECAs were critical lenders of last resort.

The total dollar value of Ex-Im authorizations—which includes all Ex-Im loans, guarantees and credit insurance approved—tripled over the years following the financial crisis, from \$12.6 billion in fiscal year 2007 to a record high of \$35.8 billion in 2012.⁷⁴ Authorizations have since declined for two consecutive years, to \$27.3 billion in 2013 and \$20.5 billion in 2014.⁷⁵ The recent decline in demand for Ex-Im financing is a positive signal that the recovery is accelerating and that private-sector lenders are beginning to lend at levels that approach those before the recession.⁷⁶ In fact, this decline is by design—Ex-Im activity increases when private lending declines, and it decreases when private markets normalize.

The Ex-Im Bank Plays a Valuable Role in Helping Small Businesses Export Their Products

Small businesses are an important engine of economic growth and job creation in communities across the United States. According to the Small Business Administration, which generally defines a small business as one with fewer than 500 employees (though there are exceptions depending on the industry), there are 5.7 million small businesses with employees in the United States.⁷⁷ These businesses employ about half of the private workforce and account for about half of private-sector output.⁷⁸ However, small businesses are only responsible for about one-third of exports, and only a small fraction of small businesses export.⁷⁹

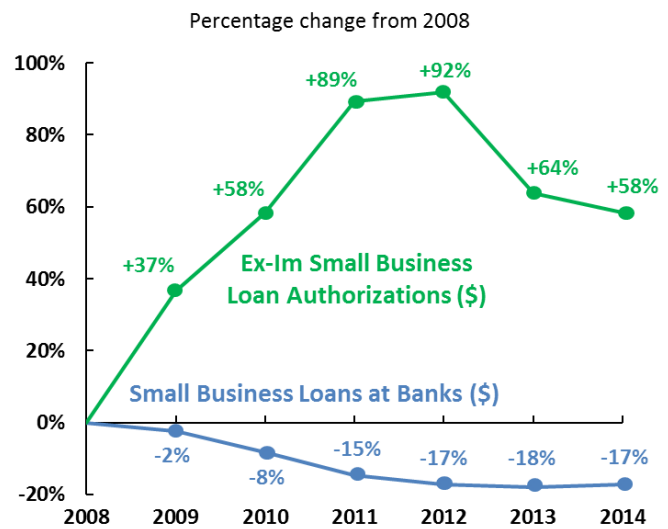
It can be difficult for small businesses to break into new markets. This may be due in part to the challenges small business face in accessing export financing, such as difficulty borrowing against foreign accounts receivable. The smaller dollar amounts involved, coupled with the time and expertise required to assess country-specific risks, may lead some banks to forego lending to small businesses seeking to export products.⁸⁰ Even creditworthy small businesses may struggle to obtain private credit without a government guarantee.⁸¹ While this has long been the case, recent credit constraints may stem in part from the Basel III capital standards, which require banks to hold more capital to absorb losses than in the past—possibly limiting the number of loans that they make.⁸² Tight credit may also be due to banks' decreased willingness to involve themselves in more labor intensive, less lucrative segments of the market.⁸³

Moreover, more than three-quarters of small-business exporters express some level of concern over receiving payment from a foreign customer, according to a 2013 survey.⁸⁴ And small businesses often lack a cash cushion to absorb any possible losses. This can make Ex-Im's insurance against nonrepayment particularly helpful to them as they pursue export opportunities.

Ex-Im helps small businesses to overcome barriers to exporting. Ex-Im small business authorizations are most often for either short-term working capital guarantees, which allow small businesses to ramp up production to fulfill orders from overseas, or for credit insurance policies, which provide protection against nonrepayment from overseas customers. Many small businesses have traditionally turned to community banks for financing, but these banks may lack the ability to assess risk in certain foreign countries. Ex-Im, on the other hand, has established expertise in numerous emerging markets.

Recent Trends in Small Business Credit: As with Ex-Im programs more broadly, as small business credit markets seized up during the financial crisis, Ex-Im stepped in to fill part of the void. The value of small business loans outstanding on commercial banks' balance sheets fell by 17 percent from 2008 to 2012, while the value of Ex-Im small business authorizations jumped 92 percent over that same period (**Figure 5**).⁸⁵ As private lending to small businesses has recovered, Ex-Im small business

Figure 5: The Export-Import Bank Stepped in to Fill the Void When Banks Pulled Back



Notes: Export-Import Bank small business authorizations are annual figures by fiscal year. Small business loans on commercial bank balance sheets refer to commercial and industrial loans and nonfarm nonresidential loans under \$1 million in value as reported on banks' June 30 call reports for the given year. These loans may be newly issued or outstanding from prior years

Sources: JEC Democratic staff calculations using data from the Export-Import Bank and the Federal Deposit Insurance Corporation

authorizations have declined. The value of small business loans on bank balance sheets has stabilized in recent years—indicating that banks are initiating enough new loans to replace the older loans being repaid.

Scope of Ex-Im Support for Small Businesses: According to the Ex-Im Bank, last fiscal year, nearly 90 percent of its transactions “were made available for the direct benefit of small-business exporters,” and the total number of these small-business transactions was 3,347.⁸⁶ This represented a modest decrease from the record 3,413 small business transactions in fiscal year 2013, while remaining about one-third above the number of small business transactions in fiscal year 2009.⁸⁷

Small businesses receiving Ex-Im support are concentrated in the manufacturing sector, including chemical manufacturing, fabricated metal product manufacturing and plastics product manufacturing.⁸⁸ Other small businesses benefiting from Ex-Im support range from recyclable material merchant wholesalers to toy and hobby goods suppliers to wineries.

Dollar value: The dollar value of Ex-Im small business authorizations last fiscal year totaled \$5.1 billion, representing 24.7 percent of all authorizations.⁸⁹ This share was up by about a quarter over its fiscal year 2013 level of 19.1 percent. It is to be expected that the share of Ex-Im dollars for the direct benefit of small businesses would not match the share of authorizations—larger companies simply do much larger deals.⁹⁰ In addition to directly benefiting from Ex-Im guarantees and insurance products, small businesses can also benefit indirectly from Ex-Im programs. Small businesses often serve as part of the downstream supply chain for larger companies that benefit from Ex-Im financing.⁹¹

Share of exports supported: Ex-Im small business authorizations yield greater increases in U.S. exports per dollar than those for larger businesses.⁹² This is largely due to the nature of the Ex-Im products small businesses use—predominantly working capital guarantees and credit insurance that allow companies to continue to export under the same authorization, rather than loans or guarantees tied to a specific product. Fiscal year 2014 Ex-Im small business authorizations supported an estimated \$10.7 billion in exports, nearly 40 percent of the total value of direct exports supported by Ex-Im.⁹³ Small business exports account for more than half of Ex-Im-supported exports in 21 states and three-quarters or more in 11 states.⁹⁴

The Ex-Im Bank Helps Advance U.S. Interests in the Developing World

Ex-Im programs can help open markets for exporters and promote development in regions of the world that private markets consider to be riskier. For example, while only about 1 percent of all U.S. exports go to Sub-Saharan Africa, about 5 percent of Ex-Im’s portfolio supports exports to this region.⁹⁵ Overall, 68 percent of Ex-Im authorizations by dollar value last fiscal year went to support exports to emerging markets.⁹⁶ Gaining a foothold in these growing markets could be extremely lucrative over the long term—even if financing these exports poses a risk in the near term. Therefore, there can be a role for Ex-Im when private lenders are unwilling to bear the political or other risks that these transactions might entail.

Moreover, exports are a critical component of economic diplomacy—and expanding the reach of U.S. businesses overseas can serve more than just a profit motive.⁹⁷ For example, it can push back against efforts by China and other competitors to broaden their spheres of influence in the developing world, as 12 former government officials—including foreign policy officials in the Reagan and Bush administrations and a former White House Chief of Staff to President Reagan—have written.⁹⁸ And it can help to spread new technologies, including clean energy technologies, which can have long-term benefits. In 2014, Ex-Im authorized nearly \$200 million for renewable energy exports, much of which went to Latin America.⁹⁹

The Implications of Failing to Renew the Ex-Im Bank's Charter

Ex-Im is currently operating without a charter. Its authority to enter into new obligations generally has ended, and it will need to begin closing down its operations in the absence of congressional action.¹⁰⁰ As a result, U.S. businesses that depend on Ex-Im financing could suffer, contracts could be lost to global competitors and American jobs could be put at risk. As the economy continues to recover from the Great Recession and with exporters already facing headwinds in the form of a strong dollar and weak global growth, not reauthorizing Ex-Im's charter risks dealing a blow to the U.S. economy.

Already, businesses ranging from large corporations to small firms have expressed concerns that eliminating Ex-Im could cost them business—and could lead them to shed jobs or move some operations overseas.¹⁰¹ Foreign bankers have also stated that American companies could lose business to foreign competitors in countries that are aggressively ramping up the use of export credit rather than curtailing it.¹⁰² Even a short-term lapse in authority could have longer-term effects by damaging customer relationships. In sum, failing to reauthorize Ex-Im's charter will not cause other countries to abandon their ECAs—but it does risk damaging the U.S. economy.

Endnotes

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