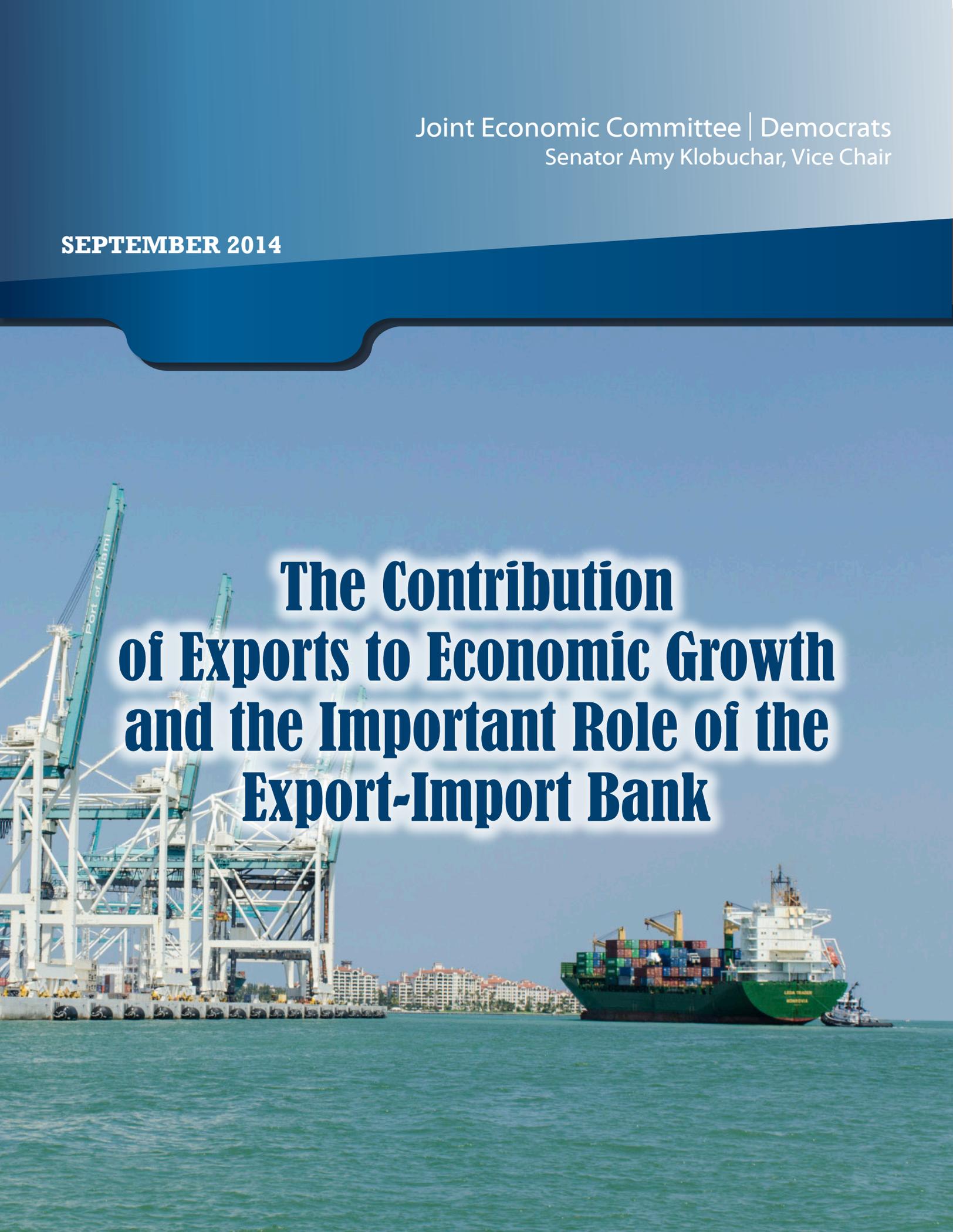


Joint Economic Committee | Democrats
Senator Amy Klobuchar, Vice Chair

SEPTEMBER 2014

A photograph of a port scene. On the left, several large white and blue gantry cranes are visible, with the text 'Port of Miami' written vertically on one of them. In the center, a large green container ship is docked, its deck covered with colorful shipping containers. The ship's name 'LEON TRADER' is visible on the hull. In the background, a city skyline with several buildings is visible under a clear blue sky. The water in the foreground is a calm, light blue-green color.

The Contribution of Exports to Economic Growth and the Important Role of the Export-Import Bank



THE CONTRIBUTION OF EXPORTS TO ECONOMIC GROWTH AND THE IMPORTANT ROLE OF THE EXPORT-IMPORT BANK

Exports make a critical contribution to U.S. economic growth and job creation. Ninety-five percent of the world's potential customers live outside of the United States, and exports offer an opportunity for American businesses to tap into new markets around the globe.¹

Total exports of goods and services reached a record high of nearly \$2.3 trillion in 2013.² American businesses ranging from manufacturers to agricultural producers have increased their exports in recent years, helping to support economic recovery and job growth.³

As the official export credit agency of the United States, the Export-Import Bank (the Ex-Im Bank) provides loans, loan guarantees and insurance policies that increase export opportunities for U.S. businesses. The Ex-Im Bank authorized 3,413 small-business transactions in fiscal year 2013, an increase of 34.4 percent from 2009.⁴

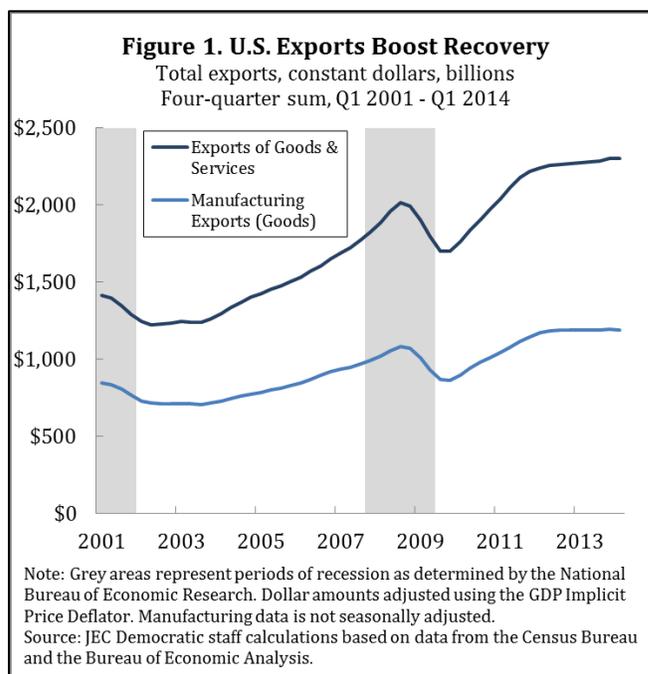
The Ex-Im Bank's authorization is set to expire at the end of September of this year. Businesses that receive Ex-Im Bank financing would have to seek private-sector financing, which may be more costly or unavailable.⁵ Most major exporting countries also have export credit agencies, and they could gain customers if the Ex-Im Bank is no longer able to offer export financing.⁶

This report analyzes the contribution of exports to economic growth and the recovery. It discusses the role the Ex-Im Bank plays in supporting U.S. exports and how reauthorizing it fits into a policy strategy of promoting export growth.

The Contribution of Exports to the Recovery

The economy has expanded in each of the past four years, and exports have made a significant contribution to that growth. Last year, U.S. exports of goods and services totaled nearly \$2.3 trillion, the highest level on record.⁷ This represented about 13.5 percent of gross domestic product (GDP).⁸

The U.S. manufacturing sector has been making a comeback during the economic recovery, and manufacturing is particularly important to U.S. exports (**Figure 1**). Manufactured goods account for a majority of all exports – nearly \$1.2 trillion in 2013, an increase of 38.3 percent from 2009 (constant dollars).⁹ Agricultural exports have also increased in recent years. In 2013, the U.S. agricultural sector exported more than \$144 billion of goods, a 37.3 percent increase from 2009.¹⁰



Since the recession, total exports of goods and services have rebounded to a level above their pre-recession peak. Total exports were 35.1 percent higher in 2013 than in 2009 (constant dollars).¹¹

Exports support millions of jobs across the economy. According to the Department of Commerce, U.S. exports of goods and services were responsible for 11.3 million jobs in 2013, an increase of 1.6 million from 2009.¹² According to this analysis, each \$1 billion of exports supports 5,590 jobs.¹³ In the manufacturing sector, nearly 25 percent of production is exported according to the most recent data (2012).¹⁴ Assuming this share has held roughly constant, exports are now responsible for about three million manufacturing jobs.¹⁵

Helping U.S. Exporters Stay Competitive

U.S. exporters face stiff competition in the global marketplace from foreign producers who benefit from their own countries' export credit programs and other government subsidies.¹⁶ Many developing countries in particular do not abide by the same set of internationally agreed upon standards for export financing the United States follows.¹⁷

Approximately 60 other countries – including all of the top ten exporting countries in the world – have export credit agencies that offer similar programs to the Ex-Im Bank (**Figure 2**).¹⁸ Last year, China's new medium- and long-term official export financing volume was \$45.5 billion versus \$14.5 billion for the United States.¹⁹ The export credit agencies in Germany and South Korea also provided more medium- and long-term export credit financing in 2013 than the Ex-Im Bank.²⁰

The Role of the Export-Import Bank

The Ex-Im Bank was established to support U.S. exports by providing financing the private sector may be unable or unwilling to finance at competitive rates because of the size of the transaction or the credit or country risks involved.²¹ For example, Ex-Im Bank loans and guarantees can help small businesses that may otherwise struggle to obtain financing in the private market to export



their products. The Ex-Im Bank's role is particularly important during a credit crunch when private-sector financing dries up. Ex-Im Bank loans and guarantees increased in the aftermath of the financial crisis.²²

The Ex-Im Bank's programs (**see Box**) also work to counter the effects of other countries' similar export credit programs and help level the playing field for U.S. exporters.²³ Ex-Im Bank programs are often used to fund longer-term, complex deals related to transportation and other infrastructure projects.²⁴ In addition, Ex-Im Bank programs can open markets for exporters in regions of the world often considered to be riskier – about five percent of the Ex-Im Bank's portfolio supports exports to Sub-Saharan Africa while only about one percent of all U.S. exports go to that region.²⁵

The Ex-Im Bank often returns money to the Treasury, helping to reduce the U.S. budget deficit. Last year, it returned more than \$1 billion to the Treasury.²⁶ Recipients of Ex-Im Bank financing must pay fees and interest in return for the credit products they receive.²⁷ The Ex-Im Bank's programs have very low default rates: as of March, the overall active default rate was 0.211 percent.²⁸

What Programs Does the Export-Import Bank Offer?

Export-Import Bank programs offer a range of short-, medium- and long-term financing options for businesses seeking to export goods and services overseas. The four major categories are:

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.

Medium- and long-term loan guarantees: Guarantees loans made by private lenders to foreign buyers of U.S. exports in exchange for a fee paid by the foreign buyer.

Working capital financing: Offers short- and medium-term working capital guarantees of loans or lines of credit offered by private financial institutions to U.S. exporters, often small businesses. There is also a direct working capital loan program.

Export credit insurance: Provides insurance policies to exporters and lenders for a premium to protect against losses of non-repayment for commercial and political reasons.

Fiscal year 2013 data: Last fiscal year, the Ex-Im Bank made 745 new loans and loan guarantees worth \$21.8 billion, and issued 3,097 new insurance policies covering \$5.5 billion of goods and services.²⁹ This brought the Ex-Im Bank's total overall financing (including new issuances and legacy loans and guarantees) to \$113.8 billion – below the \$130 billion statutory cap for that year.³⁰

According to the Ex-Im Bank, its fiscal year 2013 authorizations supported \$37.4 billion of U.S. exports and approximately 205,000 jobs.³¹

Small-business exporters: Overseas markets offer tremendous growth opportunities for small businesses, but these businesses often face particular challenges in accessing financing to export their products. The smaller dollar amounts involved, coupled with the time and expertise required to assess country-specific risks, could lead some private financial institutions to forego lending to small businesses seeking to export products.³² Moreover, according to a recent survey, more than three-quarters of small-business exporters express some level of concern over receiving payment from a foreign customer, which can make the Ex-Im Bank's programs particularly helpful to them as they pursue export opportunities.³³

According to the Ex-Im Bank, last fiscal year, 88.8 percent of its transactions “were made available for the direct benefit of small-business exporters,” and the total number of these small-business transactions hit a record high of 3,413.³⁴ This represented an increase in the number of small-business transactions of more than one-third from 2009.³⁵ More than 2,500 small businesses utilized Ex-Im Bank financing for the first time over the past five years.³⁶ Last year, about one-fifth of all Ex-Im Bank transactions benefited women- and/or minority-owned small businesses.³⁷

In addition to benefitting directly by receiving financing from the Ex-Im Bank, small businesses can also benefit indirectly from its programs. Small businesses often serve as part of the downstream supply chain for larger companies that receive Ex-Im Bank financing.³⁸

Major industries: The air transportation industry was the single largest beneficiary of Ex-Im Bank programs in fiscal year 2013, receiving financing worth \$8.3 billion.³⁹ Other sectors that received substantial financing last year included: manufacturing excluding aircraft (\$8.5 billion), oil and gas (\$4.0 billion), space and telecommunications services (\$1.0 billion), agribusiness (\$0.7 billion), mining (\$0.7 billion)

and medical equipment and services (\$0.3 billion).⁴⁰

International regions: The Ex-Im Bank supports U.S. exports to more than 150 countries.⁴¹ In fiscal year 2013, the single largest market for Ex-Im Bank financing was India, with financing totaling \$2.1 billion, followed by Mexico (\$2.0 billion) and Indonesia (\$1.2 billion). As of last September, more than 40 percent of the Ex-Im Bank's total outstanding financing was to Asia (40.8 percent), followed by Latin America and the Caribbean (18.8 percent) and Europe (13.8 percent).⁴²

Reauthorizing the Export-Import Bank as Part of a Strategy to Promote U.S. Exports

The Ex-Im Bank was last reauthorized through the Export-Import Bank Reauthorization Act of 2012 (P.L. 112-122), which passed the House and Senate with substantial bipartisan majorities. This Act extended the Ex-Im Bank's charter through September 30, 2014, and incrementally raised the Ex-Im Bank's total outstanding financing cap to \$140 billion in fiscal year 2014. It also required the Secretary of the Treasury to pursue negotiations with other major exporting countries to substantially reduce export financing programs, with the ultimate goal of eliminating them and other forms of export subsidies.

If the Ex-Im Bank is not reauthorized and its charter is allowed to lapse, the Ex-Im Bank's authority to enter into new obligations generally would cease and the Ex-Im Bank would need to begin closing down its operations.⁴³ Failure to renew the Ex-Im Bank's charter would put U.S. exporters at a competitive disadvantage relative to other countries' exporters that benefit from their countries' export credit programs. This could harm businesses across the country that use the Ex-Im Bank's programs.

In addition to renewing the Ex-Im Bank's charter, policymakers can take additional steps as part of a strategy to support continued U.S. export growth. Policies could include: countering the harm to U.S. exporters caused by currency manipulation and

providing consequences for countries that fail to adopt appropriate policies to eliminate currency misalignment; expanding programs that benefit small- and medium-sized businesses seeking to expand their exports; pushing for provisions that reduce barriers to agricultural exports; and reauthorizing Brand USA to promote international travel to the United States.

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