Ex-Im Bank Reauthorization Is Essential for Manufacturers to Compete Globally in the Face of Massive Foreign Export Credit Financing
New research published by the National Association of Manufacturers (NAM) documents the massive size and growth of foreign export credit activity.¹ Most developed countries and many developing countries have official export credit agencies (ECAs), with more than 60 operating worldwide. With the nine largest foreign ECAs—Brazil, Canada, China, France, Germany, Japan, Mexico, South Korea and the United Kingdom—providing nearly half a trillion dollars in annual export support, manufacturers in the United States are at a deep disadvantage in competing for sales overseas.

In the face of such massive foreign ECA activity, the continued operation of the U.S. Export-Import (Ex-Im) Bank is critical to the global competitiveness of our nation’s manufacturers and their employees. The Ex-Im Bank provides services to thousands of mostly small U.S. businesses. Ex-Im financing has become even more important given growing constraints on private-lending options for certain types of exports, including small business transactions and exports related to long-term projects and emerging markets where foreign ECAs play a highly active role.

Much of the ECA data included herein and in a new report, titled “The Global Export Credit Dimension” and issued by the NAM, was collected and analyzed by The Economist Intelligence Unit (EIU)² using annual reports from the ECAs and other public sources.

At a time of continued weakness in the world economy, America’s global competitiveness must remain a top priority. Policymakers can have a direct, positive impact on American manufacturing and job creation by reauthorizing the Ex-Im Bank.

Manufacturing and the Global Economy

Manufacturers operate in a growing and competitive worldwide economy. Reaching the 95 percent of consumers living outside U.S. borders is vitally important for manufacturers in the United States to sustain and create jobs at home and to invest and expand their business operations. With world trade in manufactured goods expanding from $4.8 trillion in 2000 to $11.5 trillion in 2012, manufacturers in the United States have been using exports increasingly to fuel growth. In 2013, U.S.-manufactured goods grew to a record high of $1.38 trillion.

While global opportunities grow, manufacturers in the United States face stiff competition from their counterparts around the world as well as an uneven playing field. Despite a record high in U.S.-manufactured goods exports in 2013, the nation’s share of the global market for manufactured goods had fallen from 13.8 percent in 2000 to 8.7 percent in 2012. Financing plays an important role worldwide in promoting global trade that supports jobs, manufacturing and a higher standard of living.

The Global Export Credit Dimension

For many manufacturers, the expansion of global export credit assistance by foreign governments represents an increasing and serious challenge to America’s global manufacturing competitiveness. To understand more fully the dimensions of export credit activity globally, the NAM commissioned the EIU to research and detail the activities and policies of the world’s leading foreign ECAs. The EIU examined the nine largest foreign ECAs and compared their activities and policies with those of the Ex-Im Bank. The research, which the NAM released in the report “The Global Export Credit Dimension,” demonstrates the harsh reality that other ECAs (supported by both major developed markets and emerging markets) are far larger than the Ex-Im Bank and are growing strongly to support foreign manufacturers and exporters.

¹“The Global Export Credit Dimension” issued by the NAM (2014).
²Any views expressed in this report are those of the author and not of The Economist Intelligence Unit or its affiliates. Neither The Economist Intelligence Unit nor its affiliates can accept any responsibility or liability for reliance by any person on the information contained in this report.
The EIU’s research and analysis demonstrate the following:

- The ECAs of our top trading partners now provide nearly half a trillion dollars in assistance annually, more than 18 times the level of the Ex-Im Bank.

- The ECAs of China, Japan, South Korea and Germany are already individually larger than the Ex-Im Bank, and all of the nine major foreign ECAs are larger as a share of their countries’ GDP than the Ex-Im Bank is compared to U.S. GDP. China’s main ECA provides more than five times the assistance that the Ex-Im Bank does.

- Major foreign ECAs, including those in Germany, China and Canada, are expanding exports more successfully than the Ex-Im Bank. The Ex-Im Bank supported 2.42 percent of total U.S. exports in 2013, while Germany (3.63 percent), China (12.50 percent) and Canada (20.29 percent) helped to support even more international sales.

- Foreign ECA activity grew sharply in several major countries, including China, South Korea and Canada, between 2005 and 2013.

- Official ECA activity is particularly critical to key and growing manufacturing sectors of the global economy, including infrastructure and transportation where manufacturers in the United States are well positioned to grow in related exports if competitive financing is available.

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**Figure 1**
Total Export Credit Authorizations in Major Markets, 2013
(in Billions of Dollars)
Source: Research data provided by the EIU.

**Figure 2**
Total Authorizations as a Percentage of GDP, 2013
Source: Research data provided by the EIU.

**Figure 3**
Percentage of Total Exports Supported, 2013
Source: Research data provided by the EIU.
Implications of the Failure to Reauthorize the Ex-Im Bank

As manufacturers in the United States seek to expand manufacturing by growing export sales in the more than $11 trillion global manufacturing marketplace, they contend with increased foreign competition that benefits from disproportionate export credit assistance. The ECAs of nine of our major trading partners provide nearly half a trillion dollars in export support, and they are growing strongly to expand their manufacturers’ share of the global economy.

The Ex-Im Bank plays a vital role in the face of such fierce global competition, supporting tens of billions of dollars in U.S. exports and hundreds of thousands of American jobs annually. A self-sustaining agency that has evolved and improved its operations over the years, the Ex-Im Bank annually helps thousands of small, medium and large manufacturing companies in the United States export their manufactured goods around the world. Ex-Im’s activities are targeted and, by law, must not compete with private-lending activity. In 2013, the Ex-Im Bank provided financing and other services to support $37 billion in U.S. exports (2.42 percent of total U.S. exports). While the Ex-Im Bank does not need to finance the great majority of U.S. exports, it is considered vital in certain types of export sales, particularly related to long-term financing for large projects, emerging markets, small business transactions and export sales to foreign governments and state-owned entities.

Failure to reauthorize the Ex-Im Bank will have lasting and damaging effects. If the Ex-Im Bank is not reauthorized, tens of billions of dollars in U.S. exports will be put at risk annually. Manufacturers overseas will increasingly win foreign sales. The loss of U.S.-manufactured exports will be at the expense of thousands of manufacturers in the United States and hundreds of thousands of American workers who rely on Ex-Im services to boost their export sales. Weakening America’s export competitiveness will be particularly damaging in the face of intense and growing global competition that has already resulted in a substantial decline in America’s share of the global manufacturing market.

The threat does not stop there. Failure to reauthorize the Ex-Im Bank will also result in the following:

- Even greater manufacturing export opportunities will be lost on an annual basis as trade expands and U.S. exporters effectively cede foreign sales. The loss of new export opportunities will be particularly severe in emerging markets where growth is expected to be strongest.

- Manufacturers in the United States will find it increasingly difficult, if not impossible, to compete successfully in key sectors where global growth is high and where the Ex-Im Bank has played an indispensable role in leveling the playing field in the face of foreign ECA activity, particularly infrastructure and transportation.

- Growth of small business manufacturers in the United States will be stunted.

By undermining America’s global competitiveness, the elimination of the Ex-Im Bank will forfeit our nation’s ability to fully realize the opportunities of the global economy—to the detriment of the manufacturing sector—now and for decades to come.