

The Private Sector Can't Pick Up The Ex-Im Bank's 2 Percent

Ex-Im Bank financing is a judicious tool that is used to support U.S. firms when the private sector can't. The Ex-Im Bank only supports 2 percent of total U.S. exports, and that 2 percent would not be filled if the Bank did not exist.

There are several legitimate reasons for why the private sector can't do it, including:

The Ex-Im Bank Supports Firms That Face Competition From Others With Foreign Export Credit Assistance.

- There are 59 foreign ECAs – countries like Japan, China, Korea, Brazil, Russia, and Germany – who are aggressively supporting their domestic companies to compete and win.
- In many cases, American firms are competing against foreign state-owned enterprises and sometimes the purchaser is a state-owned enterprise. Ex-Im is a required component to even get a U.S. firm in the door to have a chance to compete for sales, such as medical equipment to state-run hospitals overseas.

The Ex-Im Bank Supports Exports In Regions Where Private Finance Won't Lend Because Markets Are Not Developed Or Regulation Blocks Them.

- Lack of legal recourse keeps private banks from lending to firms that want to export overseas. Government backing ensures that foreign customers are significantly less likely to default on Ex-Im Bank financing.
- New regulations keep private banks from financing deals.
- In emerging markets, large projects that span many years can't otherwise get financed without the Ex-Im Bank.
 - This is especially true for manufacturing machinery, oil and gas (drilling, pipelines, refineries, LNG facilities), power (wind, gas, nuclear), agriculture (construction equipment), satellite and aviation sectors.

The Ex-Im Bank Supports Small And Medium-Sized Exporters (SMEs) Because Private Lenders Don't Have Legal Recourse.

- The Ex-Im Bank provides both pre-export working capital to small businesses to enable them to manufacture products for export and guarantees to community and regional banks to enable them to finance export sales.
- When small or medium-size businesses want to sell goods and services domestically, private banks can lead on financing. However, when these same businesses want to export overseas, private banks are blocked. This is because private U.S. lenders cannot collect on collateral in the event of non-payment, whereas the U.S. government can. Effectively, the Ex-Im Bank levels the playing field across legal jurisdictions.
- Small business Ex-Im authorizations have accounted for at least 90% of the Bank's total authorizations.