



UNITED STATES MANUFACTURING COUNCIL

September 16, 2015

The Honorable Penny Pritzker
Secretary of Commerce
U.S. Department of Commerce
1401 Constitution Avenue, NW
Washington, DC 20230

Dear Madam Secretary:

The Manufacturing Council (Council) supports the critical need to establish and maintain a globally competitive U.S. manufacturing industrial base. It recognizes that achievement of this objective will require, among other things, that the Department of Commerce, in concert with other federal government agencies and stakeholders, commit itself to ensure the availability of competitive export financing, take steps designed to eliminate market access barriers abroad, as well as ensure the dedication of appropriate resources and capital funding for our domestic infrastructure.

The Council desires to take this opportunity to express its support for a matter with material impact on the U.S. manufacturing industry, namely, the critical need for export financing and corresponding elimination of market access barriers abroad via the U.S. Export-Import Bank.

Long-term Reauthorization of the Export-Import Bank of the United States

An important determinant for ensuring a level playing field for the U.S. manufacturing industry is a long-term reauthorization of the Export-Import Bank (Ex-Im) that provides trade financing solutions for exporters of U.S. goods and services not provided by the private banking sector. Such solutions include, but are not limited to: guarantees of commercial loans to foreign buyers, working capital guarantees, and export credit insurance. Such mechanisms are especially critical for small and medium-sized enterprises (SMEs). The Ex-Im Bank provides SMEs with access to financing support and mechanisms not otherwise available or as easily obtainable, such as working capital loan guarantees and loans. These mechanisms allow SMEs greater ability to expand production and exporting reach, both directly and through supply chains facilitated by a larger enterprise, thereby assisting SMEs in managing the risk of extending credit to buyers outside the United States. Such financing support is critical given the growing percentage of sales coming from foreign markets.

Since its establishment over eighty years ago in 1934, the Ex-Im Bank has played a pivotal role in fostering the U.S. manufacturing industry's competitiveness and exporting strength.¹ Two of

the Ex-Im Bank's functions are particularly critical in ensuring U.S. industry has a more level playing field for global export:

- First, through provision of financing or insurance (in the form of loan guarantees, insurance coverage, direct loans, or working capital guarantees) for export transactions that likely would not otherwise occur due to the inability or unwillingness of private commercial lenders to provide financing to foreign purchasers of U.S. exports; and
- Second, by matching the credit support provided by other nations, thereby ensuring that U.S. exporters can compete based upon the price and performance features of their U.S.-manufactured products.²

Despite its track record of success over 80-plus years and the clear benefits to U.S. industry's competitive position, along with historically strong bipartisan support, the Ex-Im Bank has come under intense attack, including egregious mischaracterization of its charter and activities by its ideological opposition. The Council fears that the confusion created by what seems to be mostly an ideological debate will ultimately result in a failure to support the Ex-Im Bank, which would be to the great detriment of U.S. industry and U.S. global exports.

In 2013, over 200,000 manufacturing jobs and \$37.4B in U.S. exports were facilitated through the U.S. Ex-Im Bank at no cost to the American public.³ In 2014, the Ex-Im Bank financed \$27.5B in exports through more than 3,700 transactions — nearly \$16.6B of those in manufacturing exports, again at no cost to the American public.⁴ In our October 2014 letter, we cited concrete examples of how SMEs benefited directly from the Ex-Im Bank's product offerings. Last year, nearly 90 percent of the Ex-Im Bank's transactions — more than 3,340 — directly supported small U.S. businesses. Concurrently, the Ex-Im Bank generated a surplus of nearly \$675M for U.S. taxpayers.⁵

The Council takes the opportunity to highlight its prior recommendation submitted to the Department of Commerce on October 15, 2014, regarding the necessity of continuing the Ex-Im Bank, specifically:

Opponents of the Ex-Im Bank have mischaracterized it as a form of corporate welfare for large corporations that has lived out its usefulness. . . . The credit extended by the Ex-Im Bank may appear at first to go to large corporations, but the requirements of the U.S. manufacture directly benefits SMEs and the employment of many people in the U.S. workforce. Non-renewal of the Ex-Im Bank . . . [makes] it significantly more difficult for SME manufacturing companies to compete and survive in this highly competitive environment. To show the world that U.S. manufactured products are not just equal to but better than any similar product, the support of the Ex-Im Bank is necessary . . . [as a] tool used by many U.S.-based SMEs to successfully compete on the world stage.⁶

The Council re-affirms its strong support and recognition of the Ex-Im Bank as a fundamental part of a U.S. strategic approach to maintaining and strengthening the competitiveness of the U.S. manufacturing sector. Accordingly, the Council strongly recommends Administration officials

continue to work closely with Congress in pursuing the full and prompt re-establishment of the Ex-Im Bank's authority.

Respectfully submitted,



Susan Smyth
Chair, Manufacturing Council



Claudine Martinez
Vice-Chair, Manufacturing Council



Jan Allman
Co-Chair, Trade, Tax Policy,
and Export Growth Subcommittee



Bill Yeargin
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¹ See Milestones: 1921-1936, U.S. Department of State Office of the Historian website, accessed on 3 August 2015 at <https://history.state.gov/milestones/1921-1936/export-import-bank>.

² Ezell, Stephen J., Nager, Adams, and Atkinson, Robert D. "The Export-Import Bank's vital role in supporting U.S. traded sector competitiveness." ITIF Report (July 28, 2014).

³ Export Import Bank website, located at <http://www.exim.gov/about/facts-about-ex-im-bank>.

⁴ Id.

⁵ Export Import Bank Annual Report 2014, accessed on 3 August 2015 at <http://www.exim.gov/sites/default/files/reports/annual/EXIM-2014-AR.pdf>.

⁶ Section IV, pages 7-9, Manufacturing Council Letter to Hon. Penny Pritzker, dated 15 October 2014.