



## Export-Import Bank Supports Small Business Going Global

Washington's 'best kept secret' gives traders added clout to transact international deals.

By Neil Shister

In terms of providing the subsidy supports that industrial nations have traditionally used to advance their domestic businesses when they go global, the United States is a relative latecomer to the party. The Export-Import Bank of the United States (Ex-Im Bank), this country's export credit agency charged with helping finance the purchase of U.S. goods and services largely in emerging markets, has a relatively low profile in contrast to some of its international counterparts. With 420 employees, Ex-Im Bank is tiny by Washington standards and the \$13-15 billion in exports it annually supports, while a hefty sum,

is a small subset within the trillion dollar plus U.S. global trade.

Indeed, one executive observing that the bank seems to stay below the radar, calls it ironically "a stealth" agency. "But we would much prefer to be high-profile, because we've got a lot to offer U.S. exporters. We want these companies to know that our financing can help them to succeed in international markets, to expand their businesses and enable them to create and maintain U.S. jobs," says John Emens, Ex-Im Bank vice president and deputy head of Export Finance.

Yet, despite its small size and low profile, Ex-Im is a star when it comes to pro-

pellling American enterprises into what can appear to be the intimidating complexity of world trade. This is particularly true for small businesses (less than 500 employees), which figure prominently in the Bank's agenda. "As a former small business owner myself," Ex-Im Bank Board Member Linda Conlin recently observed, "I know that often, small businesses have difficulty securing the financing tools for exporting," which is where Ex-Im Bank's mission kicks in, to help finance those exports. "We accept political and commercial risks that the private sector cannot," Ms. Conlin noted. "We serve companies of all sizes. No transaction is too small or too large." To make her point, she said that Ex-Im supports all kinds of U.S. exports, from oil field equipment and technology, to large commercial aircraft, power projects, machinery, raw materials, food, and consumer goods. The Bank also finances exports of services, such as engineering services, architectural or design services, and training.

If Ex-Im Bank is a well-kept secret, the word needs to get out to mid-sized and small global traders. Large companies can get access to trade finance through their large commercial banks and, as John Emens notes, "The private sector has picked up most of this action." But for companies like a Maryland paint manufacturer transacting its first international sale in Turkey, and thinking the sole way to go is with a letter of credit, the information that Ex-Im Bank could insure 95 percent of an open credit deal with no deductible and no minimum premium is big news. "We're at the end of the food-chain," explains Emens. "Once there's a deal, we're here to support it."

In recent congressional testimony, Ex-Im Bank President and Chairman Philip Merrill underscored that, "Small business is a major, central concern." In FY 2003, 2,258 transactions out of 2,707 total (representing 83 percent of the total number of the Bank's transactions), directly benefited small businesses and accounted for 19.7 percent of the total dollar value of Ex-Im authorizations. Of the Bank's small business transactions in FY 2003, 1,161 involved amounts under \$500,000.

"We don't care how small your transaction is," emphasizes Emens. The standards that Ex-Im Bank requires are quite flexible. To be eligible for its programs, an exporter must be located in the United States, have

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### Ex-Im Bank For Dummies

#### Here's what Ex-Im Bank does:

To help U.S. exporters obtain funds to produce or buy goods or services for export, Ex-Im Bank provides loan guarantees to support working capital loans made by commercial lenders. Exporters may use this guaranteed financing to purchase finished products for export; pay for raw materials, equipment, supplies, labor and overhead; finance foreign receivables; and cover standby letters of credit serving as bid bonds, performance bonds or payment guarantees. Ex-Im Bank's working capital guarantees cover 90 percent of principal and interest (100 percent guarantees are available for qualified women- and minority-owned companies, and companies operating in rural or urban areas that are economically disadvantaged).

- **Ex-Im Bank's delegated authority lenders** can commit the Bank's working capital guarantee at the time the loan is processed. For a list of these lenders (more than a hundred located throughout the country), see the Bank's web site, [www.exim.gov](http://www.exim.gov) (the specific location of delegated authority lenders is at [www.exim.gov/pub/pdf/ebd-w-13.pdf](http://www.exim.gov/pub/pdf/ebd-w-13.pdf)).
- **For short-term international sales** (typically on terms of 180 days or less, exceptionally up to 360 days), Ex-Im Bank provides multi-buyer and single buyer export credit insurance to cover the risk of buyer default and enable U.S. exporters to offer open-account credit to their international buyers. Qualifying small businesses are eligible for enhanced coverage, such as no first-loss deductible and a simplified premium-rate schedule.
- **For sales on terms of one to five years**, Ex-Im Bank provides medium-term insurance and guarantees to support commercial loans to international buyers for their purchases of U.S. exports. For international sales on terms longer than five years, the Bank offers long-term loan guarantees. Ex-Im Bank's loan guarantee covers 100 percent of principal and accrued interest on the amount financed and guaranteed. Ex-Im Bank's guarantees and medium-term insurance support up to 85 percent of the eligible value of U.S. supply contract. The buyer is required to make a cash payment to the exporter equal to at least 15 percent of the U.S. supply contract.
- **Ex-Im Bank provides structured and project financing** to support U.S. sales to international projects and asset-based financing for large transportation-related exports. The Bank also offers enhanced financing to support U.S. sales of environmentally beneficial exports, medical equipment and services, and equipment and services related to transportation security.



#### Here's how to contact Ex-Im Bank:

Go to the Bank's web site, [www.exim.gov](http://www.exim.gov). Click on 'Contact Us' for the nearest Ex-Im Bank regional office in New York, Chicago, Miami, Houston, Long Beach, Calif. (West Coast satellite offices are in Orange County, San Diego and San Francisco).

Call Ex-Im Bank's headquarters in Washington, D.C., at 1-800-565-EXIM (3946).

at least a one-year operating history and a positive net worth. Exports eligible for Ex-Im Bank instruments must be shipped from the United States, products must contain at least 50 percent U.S. content or, in the case of services, the services must be performed by U.S.-based personnel.

Ex-Im Bank offers a range of financial products to fit the needs of U.S. exporters and international buyers, and it works with both U.S. and international commercial lenders.

The Bank provides loan guarantees to help U.S. exporters obtain working capital loans for pre-export costs and cash flow needs, export credit insurance to cover risks of buyer default on short-term sales to international buyers, and medium-term and long-term financing for international buyers of U.S. goods and services. The Bank also offers structured and project financing, and asset-based financing for appropriate exports.

In his testimony, Chairman Merrill called

attention to representative enterprises that had benefited from Ex-Im transactions: Bluefield Associates (Ontario, Calif.) manufacturer of cosmetics and toiletries exported to sub-Saharan Africa; Bio-Lok (Deerfield, Fla.), manufacturer and distributor of dental implants sold in 12 countries; Reinke Manufacturing (Deshler, Neb.), manufacturer of irrigation equipment with markets in Zambia, Israel, Mexico, and South Africa; Superior Manufacturing Company (Chicago, Ill.), manufacturer of floor matting sold in Latin America and the Caribbean.

"Certain markets are especially important to us," explained Emens. "Mexico is the 800-pound gorilla." At the close of FY 2003, the Bank had nearly \$6 billion in exposure in this market. Emens notes that oil and gas, and power generation have traditionally been important sectors, but, "Since NAFTA, we're seeing huge increases in trade going both ways in a lot of industries. We're doing more and more business with companies in the agricultural sector and the industrial sector as the Mexican middle class grows."

China is something of "an enigma" to Ex-Im, says Emens. "It's a monstrous market, but right now there's enormous liquidity and we're not needed." However, in addition to Mexico, Ex-Im Bank is providing strong support for U.S. exports in other emerging markets, such as Turkey, Brazil, Russia, and other countries of the former Soviet Union and central Europe. In all, the Bank is open for business in more than 150 countries.

Growing in popularity are the one-to-five year medium-term insurance and loan guarantees that the Bank offers. In most emerging markets, financial institutions typically are not able to offer such medium-term instruments, and demand for this financing is increasing. For example, at the end of the third quarter of FY 2004, Ex-Im Bank had approved over \$600 million in medium-term financing to support U.S. exports to Mexico. Individually, most of these transactions were under \$2 million.

Ex-Im is transitioning its portfolio and strategic approach in order to support the changing model of world trade with small and medium-sized American businesses increasingly engaged in global commerce. "Ex-Im Bank is committed to meeting the challenges of today's economy and to anticipating the export opportunities and obstacles that U.S. companies will have in the future," says Chairman Merrill. "That means supporting the knowledge and service-based U.S. economy of the 21st century, while continuing our strong support for America's manufacturing sector." **wrt**