July 10, 2014

The Export Import Bank (EIB) is the latest political football to get kicked around Washington. Unlike most issues, this one has bipartisan backers on either side of the issue. Typically, there is a much more complex reality for consumers, workers, and business owners (especially in the case of North Carolina).

The EIB was created through the Export Import Bank Act of 1945 which directs the agency to “contribute to maintaining or increasing employment of United States workers” by aiding in the financing and facilitation of the exchange of commodities and services between the United States and any foreign country. Essentially, the bank’s mission is to support U.S. companies that sell products abroad by offering low-cost loans to foreign buyers. It also provides guarantees against potential losses made by exporters to those buyers. In serving that role, and because of the current political climate, the bank’s future is caught up in the larger debate surrounding the government’s role in the economic market.

For our purposes, it’s important to look at how the EIB is functioning in North Carolina. According to the bank’s published data, the EIB has supported $1 billion dollars in exports from NC companies to nations abroad. That figure accounts for half of the total number of supported exports since the 2008 recession began; this information suggests that the economy’s

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EIB Act of 1945

This Act was created
recovery is due in part to the upsurge in NC exports.

**Location of Firms Receiving EIB Guarantees**

Since 2007, 189 companies have benefitted from exports financed by the EIM (with $3 billion in exports supported). The top three export destinations for NC products are: Honduras, China, and Mexico. As is the case with most phenomena related to the NC economy, this activity is focused around the state’s metropolitan hubs. However, there are a few counties outside the metro areas that host participating companies - Haywood County, Polk County, Surry County, Halifax County, and Duplin Counties to name a few.

The industries with the highest dollar amount of sales supported by the EIM are:

**2007 to 2014 Exports Supported**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textile Mills, Products, and Sales</td>
<td>730.3 million</td>
</tr>
<tr>
<td>Wood Product Manufacturing and Sales</td>
<td>255.2 million</td>
</tr>
<tr>
<td>Food Manufacturing and Sales</td>
<td>180.9 million</td>
</tr>
<tr>
<td>Machinery Manufacturing and Sales</td>
<td>186.2 million</td>
</tr>
<tr>
<td>Chemical Manufacturing and Sales</td>
<td>172.8 million</td>
</tr>
</tbody>
</table>

*Source: Export Import Bank*

With 188 exporters, NC beat out all states in the South
to rank 11th out of all exporting states behind Texas, California, Florida, Illinois, New York, Ohio, Pennsylvania, New Jersey, and Michigan. Similarly, we rank 12th in total sales supported [behind most of the same states].

The major complaint about the EIB is that it mostly benefits large companies like Boeing rather than small companies. The argument is that these firms can obtain financing in the private market as opposed to relying on government supported financing. While this is true in the aggregate (EIB backed 30% of Boeing sales in 2012), the reality for North Carolina is very different. Perusing the list of companies in NC, one finds the occasional Volvo entry, but this accounts for a microscopic amount of the total export sales produced by NC companies. Volvo’s export sales equal less than a tenth of 1 percent of North Carolina total sales (across all industries) supported by the EIB from 2007 to 2014.

What will become of the EIB remains to be seen; but before throwing the baby out with the bathwater, let us hope that we reconcile and gain insight into the needs of small to mid-sized industries. The bank may indeed be ripe for reform or overhaul; but will there be any externalities associated with such an action? That is, what will be the impact on small business in export-reliant states like NC?

Donnie Charleston
IEI Economy Policy Manager
donnie_charleston@ncsu.edu

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