The Export-Import Bank of the United States and the Small and Medium Sized Enterprise

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Abstract

Key words: Export-Import Bank of the United States of America, Ex-Im Bank, Small and Medium Sized Enterprises

Introduction

As part of the world economy, it is very important that any country can build a strong economy or at least, a sustainable one. The global economy is interconnecting with every country and its expectative of growth every day is higher. The importance of the United States Export-Import (Ex-Im) Bank could be discussed in many forms, but actually Ex-Im has positive results to U.S. economy. Our main interest in this article is giving a brief about the U.S. Export-Import Bank and its benefits for the U.S. In addition, we will discuss the value of the working capital that the Ex-Im is giving to small-medium sized enterprises (SMEs).

Export-Import Bank

The Export-Import Bank of the United States (Ex-Im) is one of the older federal agencies that promotes an active business cycle. The process of Ex-Im Bank is directly related to the finance of the imports or export trading's in the benefit of US mainland. The process aids the stimulation of small and medium business operations. As a matter of fact, on February 2, 1934, President Roosevelt established the United States Export-Import (Ex-Im) Bank. This year also was established the Security Exchange Commission. During the Great Depression, the U.S.

[1] The ideas, comments and opinions expressed in this article are strictly of the author and do not represent the Judicial Branch of the Commonwealth of Puerto Rico. The author is currently a judge in the Judicial Branch of the Commonwealth of Puerto Rico. This article is written only for academic purposes and it does not represent a judicial opinion, judicial decision; neither represents the position and/or opinion of the Judicial Branch of the Commonwealth of Puerto Rico. The main purpose of this article is to present a review of the U.S. Export-Import Bank. In addition, the article describes an overview of certain topics of the U.S. Export-Import Bank. If you need information about any official procedure related with the article topics, it must be attended in the U.S. Export-Import Bank and its offices.

government worked about a financial reform in different ways and promoted a boost in the US economy.

In 1945, the US Congress approved the Export-Import Bank Act. The Ex-Im Bank was created as one of many responses of the Great Depression in the decade of 1930. The 12 U.S.C section 635 (a) (1) established the following: “The objects and purposes of the Bank shall be to aid in financing and to facilitate exports of goods and services, imports, and the exchange of commodities and services between the United States or any of its territories or insular possessions and any foreign country or the agencies or nationals of any such country, and in so doing to contribute to the employment of the United States workers”.

One of the main purposes of Ex-Im is to become a financial facilitator to small-medium sized enterprises (SMEs) which want to export or import its products. The Bank’s objective in authorizing loans, guarantees, insurance, and credits, shall be to contribute to maintain or to increase employment of United States workers. In addition, this aid is for US companies and companies with headquarters in other countries. The Ex-Im does not make deals with countries. If Ex-Im wants to start a deal, is very important to evaluate the political situation and issues of the country where a corporation or enterprise has its headquarters. The Bank provides loans and insurance. The insurance is provided by the Foreign Credit Insurance Association. “The bank can borrow and lend money, guarantee evidences of indebtedness, issue letters of credit, and “to do a general banking business” (Feinberg, 1982, p. 9).

The Ex-Im operates under renewable charter since 1945. The U.S. Congress has the power to amend the Bank’s charter since its origin. Many amendments have occurred to change objectives of the Bank. We can mention various objectives related to U.S. foreign policy and international economic goals. Constantly, U.S. Congress is evaluating amendments to integrate economic activities in order to promote U.S. commercial goals, including but not limited to creating and protecting jobs, promoting U.S. competitiveness in global markets, assessing and maintaining currency value of the dollar and so forth. In addition, Congress has established restrictions to Ex-Im in certain areas. Appendix 1 includes a summary of Ex-Im Bank operating guidelines (Linzmeyer, 1977, p. 820).

In general, the operating guidelines are presented as minimum requirements provided by Ex-Im Bank Act. These requirements have a significant role in the operation of the bank. For example, the Bank can extend financial assistance for a particular purpose. In relation with this matter, the bank has a duty not just to comply with a specific purpose determined by law, but instead has the compromise to comply with every single purpose of the bank and international law related with its transaction.

The credits are made in dollars, generally bear maturities of over five years (measured from the date of authorization), are usually in excess of $1 million and sometimes $100 million or more, and support capital goods exports (Feinberg, 1982, p. 23). The loan program and its requirements are focused to national exporters and importers. Also, these requirements are essential to foreign exporters or importers. Although Ex-Im has several loan and insurance programs to foster exports and imports, these benefits are exclusive for the participants of the Ex-Im and not for the foreign countries. Notwithstanding, the foreign countries receive indirectly the benefits of the participants. Thereby, Ex-Im can bring financial aid to exporters in US mainland or foreign country with the exception of countries denominated Marxist-Lenin. When you have a wealthy economy, the results could be more people investing in your country, increasing tourism capacities, creating a bigger and better labor force, developing more governmental and private infrastructures, improving banking deposits and commercial transactions. Consequently, a strong economy could produce more educated societies, with lower crime percent, more commercial transactions, could be attractive to foreign investors, better living conditions and so on.

The US Congress is responsible for evaluating and amending the Ex-Im Bank charter. For that reason, Congress has limited the Ex-Im in the Bank Act. Ex-Im Bank is prohibited by the Bank Act from a. making any loan or granting a guarantee, or any combination thereof, to any person or country, including any communist country, in an amount of $60,000,000 or more unless Ex-Im Bank has submitted specified information respecting each such transaction to Congress for at least twenty-five days of continuous session prior to final Ex-Im Bank approval; b. financing, insuring or guaranteeing any amount in connection with the purchase or use of any product or technology by a national or agency of any nation which engages in armed conflict with the United States; and c. granting any guarantee, insurance or credit in connection with sales of defense articles and defense services to countries designated by Executive Order of the President as being economically less developed, except in certain events where a presidential determination that the transaction would be in the national interest has been made (Linzmeyer, 1977, p. 830).

Ex-Im, of course, will not cover any costs the project may incur from purchasing goods from third countries, and generally refrains from directly covering the costs of local materials and labor, although it might guarantee offshore lenders that will (Feinberg, 1982, p. 25).

There are two basic procedures for disbursement of Ex-Im direct. First, the borrower may purchase the U.S. goods, pay the U.S. suppliers directly, and then request reimbursement from Ex-Im. A second approach is a letter-of-credit procedure. By this way of the disbursement, the borrower authorizes the establishment of a commercial letter of credit, subject to Ex-Im approval at a commercial bank chosen by the borrower. This commercial bank will pay the U.S. supplier upon presentation of required documents. Ex-Im will then reimburse the commercial bank (Feingberg, 1982, p. 24).

The Ex-Im Bank enables transactions that might not otherwise occur and keeps the U.S. competitive in world markets by offering three types of financial programs: direct loans; guarantees, which can either be loan guarantees or working capital guarantees; and insurance (Ezell, 2011, p. 2). Ex-Im bank's direct lending program is used primarily to help U.S. exporters in instances where they face a foreign competitor that is receiving officially subsidized financing by a foreign government. Guarantees and insurance are the main programs the Bank uses to assist American exporters. Both programs reduce some of the risks involved in exporting by insuring against commercial or political uncertainty (Jackson, 2003, p. 2).

Other Export and Import Promotion Forms of Financing

Commercial banks

The relation between Ex-Im and commercial banks is not necessary progressive, neither stronger in the commercial transactions. The Ex-Im has an active role to promote and maintain financial opportunities. This role allows an ample participation in the economic world. Many big corporations are doing business around the world with commercial banks, but Ex-Im aids another kind of business to explore other ways to make deals. Nevertheless, small-medium sized enterprises (SMEs) do not have the opportunity to get financial aid from commercial banks in an easy way.

The Ex-Im brings support to its clients or potential client's promoting dynamism and prosperity to them. In the global market, the backup of Ex-Im is very important to develop and promotes different ways to export products. Besides, Ex-Im moves forward dollar value in the global economy. Many commercial banks do not have an engagement with small-medium sized enterprises (SMEs) because they could consider several reasons or factors to avoid a financial relationship. We can mention that commercial banks prefer short-term risk instead long-term risk. For example, the different factors to be analyzed between short-term and long-term risk could be in the following: liability structure, political situation, guarantees, interest rate fluctuations, government regulations and so on. In any bank's balance sheet, short-term deposits are liabilities.

In this way, the commercial banks are not necessarily a financial resource to small-medium sized enterprises (SMEs) that want to export and/or import its products. Certainly, Ex-Im becomes an option to small and medium business to increase its expectation of business into or outside of US mainland. Notwithstanding, many commercial banks, can reach deals with Ex-Im. When a commercial bank begins a commitment with the Ex-Im, the transaction could be as follows: Ex-Im Bank will guarantee to commercial banks and other financial institutions the repayment by foreign purchases of medium-term (181 days to 5 years) export debt obligations acquired by such banks from United States exporters. The purpose of this program is to encourage and foster United States commercial banks to provide non-recourse financing of medium-term export credits. In addition, Ex-Im Bank guarantees furnish protection against defined commercial credit risks (such as the foreign buyers' protracted default or insolvency) and political risks (including incontrovertibility of currency, cancellation of import licenses, expropriation or confiscation and losses due to war, revolution or civil disturbance) which private financial institutions or exporters are unwilling or unable to accept (Linzmeyer, 1977, p. 840). Appendix 2 Prerequisites to the issuance by Ex-Im Bank of its guarantee under this program are summarized as follows (Linzmeyer, 1977, p. 841-842).

Banks may choose to assume all the commercial credit risks on the early installments of foreign buyer's obligation (i.e., the first half of the installments of credits up to three years, but not more than eighteen months of longer credits up to five years) with Ex-Im Bank guaranteeing the bank against commercial credit risk on all other installments and covering the political risks on all installments (Linzmeyer, 1977, p. 842). Ex-Im Bank also offers to commercial banks special guarantee packages such as those available to cover the commercial bank's financing of service contracts being repaid on deferred terms, or to protect against insolvency of the foreign purchaser and political risks occurring during the period of fabricating special products, or to provide coverage with respect to deferred overseas sales from consignment, or in connection with sales to foreign governmental buyers (Linzmeyer, 1977, p. 830). Ex-Im and the commercial banks may disburse in either one of two patterns. Disbursement may be *pari passu,* in which case the borrower draws down against all lenders simultaneously, in proportion to their coverage of the financed portion of the transaction. Or alternatively, Ex-Im may disburse its loan first, with a commercial lender following later"(Linzmeyer, 1977, p. 25).

A commercial bank or other institution engaged in financing export sales may obtain an FCIA short- or medium- term policy, or combination thereof, in its own name in order to protect receivables arising from export transactions and purchased by such bank or institution from United States exporters. Each such policy holder agrees to assume the uninsured portion (normally ten percent) of the credit risk. If the bank wants to participate in the risk to a greater extent, the premiums will be appropriately reduced thereby allowing the bank to increase its profit on the transaction or pass the reduction to its exporter-customer by way of reduced financing costs (Linzmeyer, 1977, p. 855).

The Foreign Credit Insurance Association

The FCIA was established in 1961 as an affiliate of Ex-Im, to offer insurance to U.S. exporters. The FCIA was founded on two basic principles. First, the risks involved in export insurance could be spread among the numerous affiliated companies, and, by increasing the total volume of business, the pooled portfolio would be diversified. Second, the private firms would act with the backing of the State, and the Ex-Im was to be involved intimately both in a managerial and financial capacity. The main justification for government involvement was the need of U.S. exporters to neutralize the competitive edge foreign competition enjoyed by having their own national export insurance agencies (Feingberg, 1982, p. 42).

FCIA offers the exporter extensive export credit protection consisting of insurance coverage for designated commercial credit risks, such as a foreign purchaser's insolvency or protracted payment default (i.e., the buyer's failure to pay the amount owed within six months after the due date for products delivered to and accepted by him), and serves as Ex-Im bank's agent for coverage of political risks, such as the hazards of war, revolution, expropriation, cancellation of export or import permits, or delays by a country's central bank in converting the purchaser's local currency payment into dollars (Linzmeyer, 1977, p. 845). In the context of the global market, the need to obtain insurance in commercial transactions brings a higher security in any transaction. When you compete against other companies and their countries, which have expectations of positive results; you can feel a disadvantage in the process. For this reason, the support of Ex-Im is very important and needed to compete against foreign competitors.

As we discussed earlier, commercial banks are shy to bring financial services to small and medium businesses to export its products. Many factors can contribute to this reason, but we can discuss a few. Some businesses that want to export its products are not corporations, and if so, they are small- medium corporations. Moreover, there are persons acting as sole proprietorship. Another situation could be presented by the business plan and financial statements of the business. In addition, the banking structure requires extensive supervision in order to comply with federal regulators, its law and its regulations. For example, Sarbanes-Oxley (SOX) has received many criticisms because it represents high costs to comply with its requirements.

The Ex-Im has a duty to request a guarantee in the international agreements. For that reason, the 12 U.S.C section 635 (B)(1)(f) established the following: “the Bank shall urge the Foreign Credit Insurance Association to provide coverage against 100 per centum of any loss with respect to exports having a value less than $100,000”.

Many commercial banks are avoiding joint small and medium business in the process of financing international transactions. The banking crisis has promoted a strong distance between banks and their clients. At that point, Ex-Im can be an option to those businesses.

Theoretically, export credit insurance stimulates exports by acting both on the supply and demand sides of the transaction. The suppliers are encouraged to sell overseas because the risk has been reduced, and because the insured export paper is nearly risk-free asset, which can be discounted readily by a financial institution (Feinberg, 1982, p. 49). The FCIA will examine the buyer's financial statement in the traditional manner, checking profit and liquidity trends, and will perform the usual "ratio" analysis, which is intended to reveal the firm's financial soundness. The FCIA will also solicit opinions from such agencies as Dun and Bradstreet and from commercial banks, generally the largest ones that have had previous experience with the buyer (Feinberg, 1982, p. 51).

Ex-Im's control over the FCIA is complete. An Ex-Im officer is one of the ten members of FCIA's Board of Governors (the other represent nine different insurance companies). More importantly, all major policy decisions must be submitted to the Ex-Im Board for approval (Feinberg, 1982, p. 51).

Ex-Im Bank Operations

Determinants of loan authorizations to developing countries.

When Ex-Im decides to evaluate any loan, it is necessary to discuss and analyze different factors; one of them is the country conditions. "Country conditions" are defined as a factor in determining commercial risk, and define the degree of political risk. Ex-Im monitors closely its level of exposure in each country, quantifying it in each major loan document presented to the board of directors. Country conditions are especially important when- as occurs in the majority of cases- an official institution is either the borrower or guarantor. In addition, before a major transaction is approved, the State Department can express its attitude toward the government of the country in question (Feinberg, 1982, p. 59). For that reason, Ex-Im loans were a major vehicle in the U.S. Government's efforts to improve relations, diplomatic and economic, with an oil-rich and influential third-world nation (Feinberg, 1982, p. 66).

This examination of U.S. aid levels and intentions indicates that a high level of Ex-Im lending often runs parallel to strong official political support for, or at least hopeful interest in, the government of the borrowing country. In no case was Ex-Im found to be lending heavily to a "hostile" regime (Feinberg, 1982, p. 66). There are many cases in Ex-Im that refused to do business or extend financial support with one party in power with the possibility to affect the transaction by changing its policies.

Innumerable historical cases exist where Ex-Im refused to do business with one party in power, only to undertake lending to a more acceptable successor regime or after the existing party had altered sufficiently its policies (Feinberg, 1982, p. 67).

The political element in commercial risk.

In 1968, through P.L.90-267, Congress established Subsection 2 of 12 USC Sec. 635 (b), which expressly restricted the Bank from providing its servicing to any Communist country and designated 30 countries as Communist countries. Congress amended this restriction in 1986 through P.L.99-472 to specify that the Bank could not provide insurance, guarantees, or credit to purchase or lease any product by a Communist country, including any agency, or national of the country, unless the President determined that such a transaction was in the U.S. national interest. In 1992, Congress amended this section through P.L. 102-429, which removed the designation "Communist country" by replacing it with "Marxist-Leninist" country and reduced to nine the number of countries that are Marxist-Leninist (12 U.S.C section 635 (b)(2)(B)(ii)). The President can waive this prohibition if he determines that the country is no longer a Marxist-Leninist country, or that doing so is in the national interest. The President is required to make such a determination for each transaction over $50 million and he is required to notify Congress (Jackson, 2003).

For Ex-Im loans, the distinction between political and commercial risk is to a considerable degree artificial and misleading because the financial health of firms likely to borrow from Ex-Im is conditioned by decisions made by the State. Many of Ex-Im's borrowers are either public corporations or firms whose output, prices and costs are determined at least partially by administrative decisions. Approximately half of Ex-Im's loan authorizations supports either aircraft or power (nuclear or conventional) generators; the purchasing firm is most often a government corporation, and even when not, its rates for flight fares or power usage will be determined by official bureaucrats. In addition, many other Exim borrowers, especially in lesser-developed countries (LDCs), are fully aware that their financial health may be determined by the central administration, if not by pricing, then by licenses, tax policies, or by the granting or denial of access to central bank borrowings: in many countries credit allocation is influenced heavily by political, as well as personal ties (Feinberg, 1982, p. 71).

When the government of a borrower guarantees an Ex-Im loan, the link between political conditions and the loan's safety is then made entirely explicit. The absence of such official guarantees, however, should not obscure the realities that in any case render the borrower's capacity to repay subject to governmental influence. The distinction between commercial risk and political risk is much less sharp than Ex-Im would have it (Feinberg, 1982, p. 72).

Global Credit Express and Working Capital

During the process and evolution of Ex-Im, the bank has developed some programs to aid US economy. One of them is the *Global Credit Express*. This program is designated to deliver short-term working capital loans directly to creditworthy small business exporters (Export-Import Bank of the United States, 2013). Through this new program, exporters could be eligible for a 6- or 12 month revolving line of credit of up to $500,000. Global Credit Express adds liquidity to the U.S. small business export market by financing the business of exporting rather than specific export transactions.

When companies request a loan, credit line and/or wants to manage its cash flow, it is essential to combine financial management with financing decisions. The term *financial management* is defined as the management of the financial resources of a business or government entity, where financial resources include both the investments of the entity, but also how the entity finances these assets (Booth, Cleary and Peterson Drake, 2013, p. 49). On the other hand, financing decisions of a company involve the management of short-term obligations such as bank loans, and long-term financing, which may be debt and/or equity. The management of short-term obligations requires understanding the needs of the company throughout the year for short-term borrowing and trade credit. There are many forms of short-term financing, and the financial manager must evaluate the cost of each available.

Actually, financial management and financial decisions are intrinsically overlapped with capital structure; debt capital and equity capital are main factors to consider and promote a wealth management. The Ex-Im has recognized its role in the economy. The bank knows the significance of working capital for the small and medium enterprises (SMEs). The working capital financing facilitates the exports of goods and services made by commercial lenders and backed by Ex-Im guarantee.

The Ex-Im encourages commercial lenders to make working capital loans by providing them with a 90% loan backing guarantee, which decreases their risk. The Ex-Im and its Delegated Authority Lenders (lending partners with whom Ex-Im has agreements) can expedite the loan process by evaluating the eligibility against the Ex-Im requirements, and offer the guarantee before the bank transactions with the lender. (Export Import Bank of the United States, 2011).

On the other side, working capital is one of the most important matters to discuss in any business plan. As a definition, working capital is defined as the combination of the company's current assets. The working capital management is defined as the way in which a company manages both its current assets (i.e., cash and marketable securities, accounts receivable, and inventories) and its current liabilities (i.e., accounts payables, notes payables, and short-term borrowing arrangements) (Booth, Cleary and Peterson Drake, 2013, p. 674).

The Ex-Im Bank's Working Capital Guarantee can cover both multiple export sales and individual contracts. The bank brings the following benefits: fulfills export sales orders; converts your export-related inventory and accounts receivable into cash; expands your access to financing; encourages lenders to grant exporter loans, enhances value of your existing collateral base; offers generous advance rates (up to 90% for export-related accounts receivables and up to 75% for export-related inventory including work-in process); provides a 25% discount on multi-buyer insurance premiums and lower Working Capital Facility fee; collateral requirement to issue standby letters of credit is only 25%, instead of the standard 100% cash collateral generally required in the private sector. On a case by case basis the collateral requirement may be lowered to 10%; covering warranty letters of credit up to 20% of the working capital loan amount or $1.5 million, whichever is lower, for a term of 12 months (Export Import Bank of the United States, 2013). The Bank's working capital guarantees provide repayment guarantees to lenders who have made working capital loans to U.S. exporters so they have the needed capital to fulfill export orders. Finally, the export credit insurance instrument helps U.S. exporters sell their goods overseas by protecting them against the risk of a foreign buyer or other foreign debtor default for commercial or political reasons, thus allowing U.S. exporters to extend credit to their international customers (Ezell, 2011, p. 2).

Experts in this matter have discussed the elements or factors that constitute good working capital management. Probably, the answer could be extensive and complicated since many experts have real points on both sides. The selection of the appropriate level of short-term financing in the least expensive and most flexible manner possible: (Booth, Cleary and Peterson Drake, 2013, p. 674).

1. The maintenance of optimal cash balances.
2. The investment of any excess liquid funds in marketable securities that provide the best return possible, considering any liquidity or default-risk constraints.
3. The proper management of account receivables.
4. The development and maintenance of an efficient inventory management system.
5. The selection of the appropriate level of short-term financing in the least expensive and most flexible manner possible.

Some benefits of working capital are the following: provides working capital to fund your business's export activities; support your direct exports of U.S. made goods and services, as well as those which you export indirectly by selling to other U.S. exporters; offers streamlined processing and quick turn-around on loan applications; provides fixed-rate financing at a relatively low interest cost, requires no dedicated borrowing base or monthly reporting requirements.

The main purpose of working capital management must be availability and access to necessary funds in a daily operation of any business. The financial management of business operations must be structured in order to comply with each requirement for healthy management. The board of directors is responsible for selecting the composition of operational management. The management has a duty to develop and integrate procedures to obtain better results for its company.

When we talk about financial management and financial decisions, we need to establish our main purposes and goals to find a balanced operation. If the company has insufficient cash flow it could produce insufficient liquidity creating risk of bankruptcy procedures, problems to comply with suppliers, employments and obligations, or liquidation of the business.

One imperative question is how we can do an effective working capital management? This solution can have many point of views but primarily includes different sides of short-term finance like the following: maintaining and using adequate and prudent levels of cash, converting short-term assets (because the company needs to get cash in its hands) and identifying and controlling outgoing payments to vendors, employees, raw materials, creditors, insurance policies and so on.

Another mandatory question is how factors can affect working capital? The answer can be divided into two or more. But, we are talking about internal factors and external factors. As internal factors, we can mention the company size and its growth rates, organizational structure, the complication of working capital management, borrowing and investing positions. On the other side, external factors refer to competitors, consumers and/or clients, banking services, government regulations, local economy and world economy, technology and new products, interest rates, demand of products or services, and so on.

The range of working capital includes but is not limited, to transactions, analysis, relationship and confidence, and focus. We refer to transactions related with making payments for trade with investment banks, transaction related to a creditor with financing or restructuring loan, credit lines, promissory notes and/or any financial instrument. The analysis of working capital management is constantly required to make, implement and improve an effective work plan and achieve best results. Another factor not mentioned previously, but is necessary, is about the relation and confidence in financial institutions, investment institution and trading partners that are part of the business plan of the company. The intimate relation with financial institutions, investment institution and trading partners promotes and encourages an active business relation with higher expectations. Finally, focus is the business concentration in its goals including diverse viewpoints. We understand that any organization or company has a duty to evaluate not just its immediate environment, but also must include the global market situation.

Liquidity

In the working capital management, the action of converting short-term assets into cash produces liquidity to the company. The liquidity is the company's ability to convert or transform its assets into cash. The Wall Street Journal defines liquidity as the ability of an asset to be bought or sold quickly and in large volume without substantially affecting its price. Checking accounts, money market mutual funds and Treasury bills are considered liquid assets (Kansas, 2005, p. 209).

The liquidity of any asset has two important elements to be evaluated. The first one is the type or kind of assets. The second one is the availability and speed at which it can be converted into cash. As part of our discussion, the liquidity management refers to the ability of an organization to generate cash when and where it is needed. Liquidity refers to the resources available for an entity to tap into cash balances and to convert other assets or extend other liabilities into cash for use in keeping the entity solvent (i.e., being able to pay bills and continue in operation) (Clayman, 2012, p. 305).

The companies have their hands full in managing liquidity. In fact, companies need to prepare, execute and implement a liquidity policy, in order to fulfill their responsibility to meet their cash needs. Finally, the companies have a responsibility to maintain, supervise and audit from time to time the liquidity policy. For these reasons, the companies must establish a liquidity policy to obtain healthy operational procedures.

Economic impact

The Ex-Im Bank's export credit financing fosters a stronger U.S. economy by supporting exports of U.S. goods and services that can drive domestic job creation and help balance the trade deficit. In fiscal year (FY) 2010, the Ex-Im Bank provided $24.5 billion worth of export credit financing which supported $34.4 billion worth of U.S. exports (Hochberg, 2011). Through that financing in FY 2010, the Ex-Im Bank supported 227,000 jobs at 3,300 U.S. companies, helping those companies export to 175 countries around the world. In fact, 7,400 U.S. jobs are created by every $1 billion worth of exports supported by the U. S. Ex-Im Bank (Hochberg, 2011).

Export credit financing is especially important to small-medium sized enterprises (SMEs), and thus a particular focus of the Ex-Im Bank is to support U.S. SME exporters, which were responsible for 32.8 percent of goods exports in 2009 (International Trade Administration, 2011). Ex-Im has a statutory goal of providing at least 20 percent of its financing to small business. Small businesses benefit in two distinct ways from export credit financing. First, 85 percent of the transactions financed by the Ex-Im Bank directly support small-medium sized business. Secondly, small businesses benefit indirectly from large company export credit support as subcontractors to large company exporters (Ezell, 2011, p. 3). The Export-Import Bank is one of the most successful programs within the federal government. The Ex-Im Bank is financially self-sustaining, having returned $3.4 billion to the U.S. Treasury above and beyond the cost of its operations over the past five years. The Bank, therefore, no longer requires annual funding from the U.S. Treasury, meaning that increasing its statutory lending authority from the current $100 billion exposure cap would not add to the national debt (Ezell, 2011, p. 3).

The Chairman of U.S. Ex-Im Bank, Fred P. Hochberg informed that authorizations in April-June quarter (2013) were $6 billion, for a total of $21.7 billion for the year to date (Hochberg, 2011). More importantly, its financing supported 165,000 export-related American jobs so far this year in communities across the country. The total exposure is nearly $110 billion. Also, he mentioned that the Global Credit Express program for short- term working capital loans to small exporters continues to grow rapidly.

Indeed, the economic impact of Ex-Im is demonstrated across time. There are many impacted areas like electric power, construction, communication, manufacturing, transportation, mining and refining that have benefited from the Ex-Im.

Conclusion

We can conclude that Ex-Im Bank is a federal agency that provides aid to small and medium entities (SMEs). Daily operations of those businesses promote an economic development and considerable cash flow in the markets. The Ex-Im is a successful agency, but probably many people do not have too much information about its programs and benefits.

The Ex-Im has had in constant evolution since the US Congress has the power to evaluate and amend the act. In this way, U.S. Congress has the tools to transform the Ex-Im into an essential key in the economy to promote US competitiveness in the global market. Basically, Ex-Im has two significant areas for improving its competitiveness, export financing and import financing. The exports and imports represent opportunities in international markets and sustain the currency value in any financial transaction. Yet, despite the currency is not our central theme, the reality is that every transaction made through the bank promotes and increases the use of US currency value.

Each transaction supported by Ex-Im represents a job opportunity in different manners. That means an export and/or import transaction. These elements help to reestablish people confidence in the federal system economy and promote tools to enter in nationwide and/or international transactions.

In many cases, small-medium enterprises (SMEs) do not have assistance of commercial banks. Furthermore, SMEs can be an option to compete in global markets, because Ex-Im could help them. As we know, elements like price, quality and financial aids could avoid dynamic competition but Ex-Im currently is offering suitable conditions. We must remember that Ex-Im does not compete with commercial banks and private sectors, but Ex-Im can join with them to provide export financing.

Finally, US need every single effort to boost and improve its economy. Ex-Im is a key player that promotes, sustains and encourages small-medium enterprises (SMEs) to continue exporting and importing financial process.

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APPENDIX

Appendix 1. Summary of Ex-Im Bank's Operating Guidelines: (Linzmeyer, 1977, p. 820).

1. Ex-Im Bank extends financial assistance for specific purposes in connection with the overseas sales of United States goods and services;
2. When authorizing financial assistance, Ex-Im Bank takes into consideration any possible adverse effects thereof on the competitive position of United States industry, the availability of materials which are in short supply in the United States and the national employment situation.
3. Only transactions offering reasonable assurance of payment will be financed by Ex-Im Bank.
4. Fees and premiums for guarantees and insurance are charged at rates commensurate with the risk covered; and
5. As previously noted, Ex-Im Bank supplements and encourages private capital and endeavors not to compete with it.

Appendix 2.

Prerequisites to the issuance by Ex-Im Bank of its guarantee under this program are summarized as follows: (Linzmeyer, 1977, p. 841-842).

1. Prior approval must be forthcoming from Ex-Im Bank except where the bank has been granted discretionary authority to commit Ex-Im Bank to the issuance of guarantees, within specified limits, without advance approval.
2. The country wherein the foreign buyer is located must be acceptable to Ex-Im Bank and the commercial bank.

3. The underlying transaction must conform to the standard terms and conditions of Ex-Im Bank for export credit financing.
4. The United States exporter must retain for his own account not less than ten percent of the financed portion (contract price less cash payment) of each export transaction.
5. The purchase by the bank from United States exporter of the foreign buyer's obligation must be on a nonrecourse basis. The exporter has no liability to the bank for payments due on such obligation from the buyer. The nonrecourse provision does not restrict the lender to the foreign buyer's paper if such buyer has been able to obtain guarantees thereof by his own bank or other overseas entities. A bank may purchase the United States exporter's retained portion on a "with recourse" basis.
6. Ex-Im Bank will not guarantee a transaction insured by FCIA.
7. The "financed portion" of the transaction generally must be evidenced by negotiable promissory note of the foreign obligor, payable in United States dollars at a United States bank in approximately equal, not less than semiannual installments.