

September 12, 1946

STATEMENT

Re:

Proposed Federal Charter
Export-Import Bank of Washington

There is transmitted herewith a draft of legislation proposed to grant a Federal charter to Export-Import Bank of Washington in order to continue the corporation beyond the limitation established for corporate entities generally by Section 304(b) of the Government Corporation Control Act (Public Law 248 - 79th Congress).

Export-Import Bank of Washington was created as a banking corporation under the laws of the District of Columbia on February 12, 1934 pursuant to an Executive Order issued by virtue of the authority conferred upon the President of the United States by Section 2 of Title 1 of the National Industrial Recovery Act. In January 1935 and from time to time thereafter the Congress continued the Bank as an agency of the United States.

By the Export-Import Bank Act of 1945 the management of the corporation was vested in a Board of Directors consisting of the Secretary of State ex officio and four full time members appointed by the President of the United States by and with the advice and consent of the Senate, one of such members to be designated by the President as Chairman. Not more than three members of the Board may be members of any one political party. The statute provides that their terms of office shall be five years; those of

the present members having been defined as until June 30, 1950. The Bank was designated in the Act of 1945 as an independent agency of the government with permanent existence. By virtue of the Act the Bank continued in the exercise of the banking powers contained in its District of Columbia charter. Such powers may be utilized, only in fulfillment of the Bank's statutory purpose of aiding in the financing and facilitating of exports and imports and the exchange of commodities between the United States or any of its territories and insular possessions and any foreign country or the agencies or nationals thereof.

The first section of the attached draft of legislation is designed to amend the Export-Import Bank Act of 1945 to include therein the powers now contained in the Bank's District of Columbia charter. The proposed legislation, if adopted, will not alter the purpose of the corporation nor the means by which it may carry out that purpose. The effect of its adoption will be merely to re-enact in the form of a Federal charter that which is already contained in the Export-Import Bank Act of 1945.

Section 2 of the proposed legislation limits to June 30, 1953 the period within which the Bank may exercise its functions except for the purposes of orderly liquidation.

Section 3 provides for the succession of the Federally chartered corporation to the rights and liabilities of the District of Columbia corporation.

Section 4 authorizes the Federal Reserve Banks to act as depositories, custodians and fiscal agents for the Export-Import Bank.

It is submitted that the Export-Import Bank should be granted a Federal charter extending its existence beyond the date established by the Government Corporation Control Act, in order that it may continue to aid in the financing and facilitating of exports and imports and the exchange of commodities between the United States and any foreign country or the agencies or nationals thereof.

In recent years the emphasis in the Export-Import Bank operations has been principally upon loans directly to foreign governments. During the war such loans were extended to assist in the common effort against the enemy. Since VE and VJ days long-term loans repayable over 20 to 30 years have been made to further the reconstruction essential to the return to peace time economy and world trade. It was to enable the Bank to make the reconstruction loans that the Congress, in the 1945 Act, increased the Bank's lending authority and removed from the previous Bank legislation the prohibitions against loans to governments in default on obligations to the United States. It was intended that through the extension of such credits the Export-Import Bank would fill the gap in the facilities for providing dollar credits to foreign governments until such time as the International Bank for Reconstruction and Development should come into operation. The purposes cannot be achieved, however, merely through the extension of such credits. Their utilization and economic effect must be the subject of constant study and they must be continuously and carefully serviced. Intelligent supervision of the collection of these

credits is as important to our future economy and trade as was their extension.

The reconstruction loans have been utilized for the purchase and export of agricultural and manufactured products of the United States. Accordingly, manufacturers and exporters of this country were enabled to continue to sell for export during the war and reconstruction period even though they may not have been in a position to deal directly with their customers abroad.

To the extent possible under war conditions and increasingly since the war the Bank has extended credits to United States exporters in connection with their foreign business. Furthermore, the Bank has made and is now making every effort, individually and with other agencies, to aid in the return of foreign trade to normal channels. Although there will undoubtedly be situations in which a direct loan to a foreign government will be the most practicable means of serving the foreign trade and general interests of the United States, it is anticipated that the activities of the Bank will, to an increasing degree, be of the type originally contemplated and successfully engaged in over the past twelve and one-half years.

The importance of foreign trade in the economy of the United States is too well recognized to require demonstration. What has become increasingly evident over the past decade is the need for credit facilities adapted to the requirements of both seller and buyer. The types of credit

which have been most generally sought through the Export-Import Bank may be described under the following general classifications:

1. Relatively short-term credits available to exporters of some given commodity, such as cotton or tobacco. The Bank has extended such credits in cooperation with or through the facilities of United States commercial banks, the credit being available to all shippers of a given commodity and its repayment guaranteed by a foreign bank or government.
2. Credits to United States firms desiring to export industrial or capital goods, particularly heavy machinery and electrical and railway equipment, such transactions having usually been accomplished through the discount by the Export-Import Bank of a portion of the obligations of the foreign purchaser.
3. Lines of credit for individual exporting and importing firms that are experienced but hampered by lack of capital in obtaining adequate accommodations through private sources. Such credits are generally revolving and are available for limited periods upon presentation for discount through its commercial bank of 90 day drafts on approved foreign purchasers.

Although the above is general and illustrative only, the Export-Import Bank has assisted in a wide variety of cases and has pursued a practice of adapting the mechanics of any arrangement to the needs of the particular situation. The Bank has adhered rigidly to its policy

of supplementing rather than competing with private capital. Financing such as that described above is not available elsewhere principally because the term for repayment that must be granted to the purchaser is longer than the supplier or his commercial bank is in a position to assume entirely on its own account. The Export-Import Bank has enjoyed the cooperation and support of the foreign traders and commercial banks of the United States.

It is submitted that the servicing of outstanding credits and the continued cooperation between the government and those engaged in the foreign trade of this country can best be achieved through the continuance of Export-Import Bank of Washington under a Federal charter.