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THE ROLE OF THE EXPORT-IMPORT BANK IN FINANCING U. S. FOREIGN TRADE

By William McChesney Martin, Jr.
Chairman, Export-Import Bank
of Washington

The decline in dollar exchange resources of many countries resulting from the unprecedented post-war needs for United States exports is creating the most difficult problems for the United States and all concerned. There can be no one answer to the problem. It can be solved only by attack from many sides, with the objective of increasing production in and exports from net importing countries, thus establishing a better balance in world trade. Although government sponsored loans can be but one facet of this many sided problem, the current operations and policies of the Export-Import Bank of Washington may be of some interest in this connection.

Export-Import Bank is a wholly owned government corporation devoted to financing and facilitating exports and imports of the United States. It is an independent agency of the government, responsible only to the Congress and to the President. It is authorized to have loans and guaranties outstanding at any one time of not more than $3.5 billion. As of August 1947, the Bank had authorized credits outstanding totaling about $2.7 billion, leaving approximately $800 million available for additional credits. As loans are repaid, the sums so returned become available for new operations on a revolving basis. Although a considerable proportion of its funds have been allocated to various European countries, its operations extend to virtually all parts of the world, as may be seen from Table 1.

Table 1

Total Credits of Export-Import Bank, Outstanding August 1947

	Amount	No. of Credits
Europe	$1,928,000,000	27
Asia	263,000,000	13
Latin America	481,000,000	66
Other	21,000,000	7
Total	$2,693,000,000*	113

*These figures are net after deducting amounts already repaid. The figures in subsequent tables are gross from which repayments have not been deducted.

Development of the Bank since 1934

Present operations and policies of the Export-Import Bank stem in part from the type of operations carried on by the Bank before the outbreak of World War II and, in part, from conditions arising during the war and post-war years.

The Export-Import Bank was established in 1934 to assist in the revival of foreign trade of the United States. During the first six years of its existence, the Bank confined itself largely to assisting in financing specific export and import transactions, chiefly the former, on application of United States exporters and importers. The assistance of the Bank was usually sought in order to make possible terms of credit to foreign purchasers of United States products longer than customary and longer than commercial banks were prepared to accomodate.

With the advent of the war in Europe, the Bank's lending authority was increased to assist Latin American countries to adjust themselves to the sudden loss of their European export markets. During the War years, the Bank arranged a series of credits to Latin American countries to purchase United States goods and services required for the development of their resources. At the same time, the Bank carried on with its earlier type of commitments with United States exporters and importers so far as availability of goods and ships permitted. The Bank also played a role in financing the production and import into the United States of strategic and critical materials required for the prosecution of the war.

In the period immediately following hostilities, the Bank was called upon to extend large emergency loans to war-torn countries to assist in the reconstruction of their economies and thus to assist with a revival of trade on a normal peace time basis. It was intended, however, that the Export-Import Bank should play a major role in financing world reconstruction only until such time as the International Bank for Reconstruction and Development was prepared to undertake this responsibility. When the International Bank commenced loaning operations earlier this year, Export-Import Bank brought to an end its program of large emergency reconstruction credits.

Present Operations of the Bank

All of the Bank's credits finance United States exports and imports but the credits may be described conveniently in several categories.

The Bank continues to consider credits to finance trade with countries undergoing reconstruction, provided such credits are in accordance with its general authority and policies applicable to all loans. Two recent credits illustrate the transition from its early type of emergency reconstruction loan to the Bank's current policies. Whereas, most of the earlier reconstruction credits were for the purpose of purchasing in the United States a great variety of equipment and materials needed during the reconstruction period, such as food, medical supplies, materials and equipment of all kinds, a recent credit to Austria for approximately 13 million and one to Italy for $100 million are restricted specifically to the purchase in the United States of certain materials and equipment required to reestablish manufacturing operations of specific industries in those countries, enabling them to resume and expand their export trade. Likewise, these recent loans call for repayment over a short period of years, whereas the former credits extended over terms as long as 25 years. The shorter term of maturity is made possible because of the direct effect of the goods purchased upon the expansion of exports from the borrowing countries. Table 2 lists the Bank's total reconstruction credits by countries.

Table 2

Reconstruction Credits of Export-Import Bank, by Countries, Outstanding in August 1947

Country*	Amount
Austria	$ 13,005,000
Belgium	100,000,000
China	33,793,750
Denmark	20,000,000
Ethiopia	3,500,000
France	1,200,000,000
Greece	25,000,000
Italy	100,000,000
Finland	65,000,000
Netherlands	300,000,000
Norway	50,000,000
Poland	40,000,000
Saudi Arabia	10,000,000
	$1,960,298,750

*Exclusive of $100 million to the Netherlands East Indies and $15 million additional to Saudi Arabia, agreements for which have never formalized.

In addition to these reconstruction credits, the Bank has extended credits for the purchase in the United States of specific raw commodities, such as cotton and tobacco. These credits extend over periods of from 1½ to 2½ years, long enough for the shipment and processing of the commodities and the sale of the final product. These credits are summarized by countries in Table 3.

Table 3

Commodity Credits by Export-Import Bank, by Countries Outstanding in August 1947

Country	Amount	Commodity
China	$ 33,000,000	Raw cotton
Czechoslovakia	20,000,000	" "
Czechoslovakia	2,000,000	Tobacco
Finland	7,000,000	Raw cotton
Germany	19,000,000	" "
Italy	25,000,000	" "
Italy	5,000,000	Tobacco
Europe (Unallocated)	29,000,000	Raw cotton
	$140,000,000	

A third class of credit is that of loans granted upon application of American exporters together with certain credits authorized at the instance of foreign entities for development of the productive resources of the borrowers' countries. In these credits, also, the Bank is placing much emphasis on the selection of such loans as should quite directly improve the balance of payment position of the borrowing country. Furthermore, the Bank is tending to confine itself to a greater extent to loans of shorter maturities, leaving the large long term development loan function to the International Bank. The maturity of these exporter credits usually is commensurate with the terms extended by European exporters and banks prior to World War II. These credits are summarized by countries in Table 4.

Table 4

U. S. Exporter and Development Credits of Export-Import Bank, by Countries, August 1947

Country	Amount
Argentina	$ 210,000
Austria	750,000
Bolivia	18,500,000
Brazil	138,939,377
Canada	5,700,000
Chile	76,351,260
China	86,000,000
Colombia	39,220,600
Costa Rica	7,000,000
Cuba	25,000,000
Dominican Republic	3,000,000
Ecuador	17,460,000
Egypt	5,600,000
Finland	42,500,000
Haiti	10,500,000
Honduras	2,700,000
Mexico	150,800,000
Netherlands	3,161,813
Nicaragua	4,000,000
Paraguay	6,400,000
Peru	450,000
Portuguese West Africa	300,000
Puerto Rico	450,000
Salvador	1,726,000
Turkey	28,060,000
Uruguay	32,085,000
Venezuela	6,600,000
Various countries	35,741,150
Total	$749,205,200

Management of the Bank and the Bank's Relations with Other Lending Agencies

The management of the Bank is 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. Not more than three of the five members may be of any one political party. The Chairman of the Board is a member of the National Advisory Council established by the Bretton Woods Agreements Act, which Council was established to coordinate the foreign lending operations of the United States Government.

In addition to the Chairman of the Bank, other members of the National Advisory Council are the Secretary of the Treasury, the Secretaries of State and Commerce and the Chairman of the Board of Governors of the Federal Reserve System. Through this advisory council, the lending operations of the Bank are coordinated with other Government agencies conducting foreign credit operations, such as the Treasury Department, Office of the Foreign Liquidation Commission and others. Likewise, the operations of the Export-Import Bank are coordinated by the National Advisory Council with the position taken by the American representative to the International Bank.

General Policies of Export-Import Bank

The Bank is directed by Congress by statute only to make loans which offer reasonable assurance of repayment. Profit is not a primary object. Requests for the use of the Bank's credit, however, must be appraised in terms of the Bank's statute. The Bank rejects many credit requests on this account, however worthy and desirable such credits might be in the general international interest. Likewise the Bank does not furnish equity capital.

The Congress also directs the Bank not to compete with private capital. The Bank must operate, therefore, on calculated risks which private capital will either not undertake at all, or only to a partial extent. The Bank makes every effort to interest private capital in participation in its loans. When a credit of $200 million was authorized to the Netherlands in 1946, the Bank was able to secure participation of private banks at their own risk for approximately one half of the loan. In an increasing number of instances, private banks are participating with Export-Import Bank for some portion of credits extended to foreign purchasers upon application of American exporters. On nearly all loans directly relating to specific American exporters, the exporter also is expected to participate at his own risk for a portion of the purchase price of the equipment.

Ways and means by which the Bank can encourage and facilitate imports are of major concern to the Bank. Only by increasing imports into the United States can a high level of exports be maintained and the Bank's loans be repaid. The foreign policy of the State Department looking towards the reduction of all forms of trade barriers and trade restrictions is of major consequence to the Bank, although the Bank has no direct responsibilities in the conduct of this policy. Very few of the Bank's credits, however, pertain directly to imports. The fact that the term of borrowing by an importer is usually relatively short and such loans usually can be made with recourse on the importer makes such financing suitable for commercial banks. The major contribution of Export-Import Bank to the problem of a better balance of exports and imports of the United States lies in the selection of export credits which will serve directly either to increase production in borrowing countries for export, or to increase their production of goods they now import, thus increasing their available dollar and hard currency exchange. The Bank does not usually extend credits under present conditions for the export of "consumers goods" but emphasizes rather the sale of "producers goods."

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