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The Export-Import Bank of the United States

Advantages, Disadvantages, and Reauthorization

Introduction

The Exim Bank, or the Export- Import Bank of the United States, is the export credit agency of the United States. Established in 1934 (Cameron, 2014), the Bank assists US exports by "financing the export of US goods and services to international markets…", therefore enabling "…US companies-large and small- to turn export opportunities into real sales…" This is done by providing, among other things, loans and credit guarantees to buyers, along with insurance to protect against situations of non-payment (Exim.gov, 2014). When created, its mandate stated that it would not compete with the private sector, but rather fill "gaps in trade financing" (Exim.gov, 2014).

While relatively inconspicuous in the past, the Exim Bank has made it to headline news as of late as its rolling charter expired on September 30th (Cameron, 2014). Throughout its 80-year history, it has never caused this much of a political stir, having been successfully reauthorized 16 times previously, usually through unanimous consent with a typical authorization period of five years (Exim.gov, 2014). The previously non- contentious Exim Bank has been placed in an unfamiliar situation where Congress is debating on how to proceed, whether the bank should be reauthorized or not, and if yes, what reforms should be brought to the table.

Never before has the existence of the Export-Import Bank been so severely questioned to the extent that its survival is now in jeopardy. While Democrats are almost unanimously in support of the Exim Bank (despite their rhetoric against big corporations) (Washington Examiner, 2014), the case is less so for Conservatives who are headlining opposition against the Bank. If it is not reauthorized and unable to originate new loans or continue with its normal business, it will eventually wither away until it is out of business (Paletta, 2014). Many businesses, both large and small, have a lot to lose (and some to potentially gain), if this decision were to go forward. This country's exports would also be impacted. The political divergence between left and right continues as questions of the Bank's worth emerge. Not only is there political divide, but corporations seem to be taking sides as well.

The September deadline brought many questions and opinions to the forefront:

What consequences will be incurred by both businesses and the overall economy if the Exim Bank is not reauthorized? Is the bank as beneficial to the export economy, jobs, and small businesses as its supporters make it out to be or is it rather a means for big corporations to take advantage of government support?

The purpose of this paper is to present various viewpoints, both for and against the reauthorization of the Exim Bank. These will be laid out in the most unbiased of ways possible so that the reader can obtain a comprehensive understanding of the different angles surrounding the situation, and from there reach a viable conclusion for what the best possible solution could be for the Exim Bank.

About the Bank

Founded by President Franklin D. Roosevelt (Washington Post, 2014), partially as a way to "underwrite trade with the Soviet Union," (Bandow, 2014) the Exim Bank now extends its reach to assist US exports through several methods including: direct loans to foreign buyers of US products, loan guarantees to banks that lend to foreign buyers, insurance against losses made by US exporters and banks on loans to foreign buyers, and finally loan guarantees to banks making "working capital" loans to US exporters." (Washington Post, 2014). At first glance, Exim's transaction activity seems to support the achievement of its mandate as it has assisted over $400 billion worth of US exports (Exim.gov, 2014) to international markets.

As a result of its unique mandate, the Exim Bank has the opportunity to provide and administer services that seem otherwise elusive for US businesses, especially smaller ones. As a federal agency, it is directly affiliated with the US Treasury Department, from which it both receives and returns money (Paletta, 2014), making the most of its advantageous position to borrow at lower government rates. However, because it also constitutes as a bank, providing loans, guarantees, and insurance, the bank generates revenue from the fees and interest it charges, which it then pays back to the Treasury (Cameron, 2014). This differs from the classic government agency that relies solely on government funds that it disperses for its uses but of which the government never sees again.

While the regulatory processes and hence the eligibility requirements tend to be more stringent (including a business with positive net worth that has been in operation for over a year; which exports US made products by US personnel (Exim.gov, 2014) and lengthy, the bank has aided and subsidized a wide range of industries in exporting all over the world. These industries tend to consist more of physically large manufactured machinery or products and energy. In fact, the most consistently heavily subsidized industries include aircraft, oil and gas, agribusiness, renewable energy, construction, and mining (Bandow, 2014). In 2013 alone, $51.3 billion was provided to aerospace while manufacturing and energy received $20.6 billion and $16.7 billion respectively (Cameron, 2014).

The support offered by the Bank to companies varies as much as the span of its clientele. As stated by Bloomberg (BGOV News and Analysis, 2014), of the $27.3 billion that was authorized for 3000 companies in 2013 alone, loan guarantees consisted of $14.9 billion of the total amount, while direct loans was approximately $6.9 billion (Washington Post, 2014). These loans and insurance programs differ in duration- short, medium (up to 5 years) and long-term (more than 7 years) (Exim.gov, 2014). This therefore directly influences transaction size and interest rate of the contract. Every situation is particular in size, duration, and terms like, for instance, the $900 million dispersed among mining projects in Indonesia, Mexico, Canada, and others in the 2010 fiscal year (Exim.gov, 2014). This also includes examples such as the approved "$2 billion preliminary commitment to encourage purchases of US goods and services by Petrobras, Brazil's national oil company" in 2009 (Exim.gov, 2014) and a 2013 loan to Ghana for hospital expansions by US engineering and construction companies (Washington Post, 2014). It is important to note, however, that the Bank does not focus exclusively on large transactions, but assists smaller companies to achieve international success, stating that "no transaction is too large or too small" (Exim.gov, 2014).

In the particular case of the Export- Import Bank, a statement of figures and past transactions is not necessarily sufficient to argue for or against the reauthorization of the bank, but merely serves to bring awareness to a third party. It is only through analyzing claims (and supporting them with facts and figures) brought forth from both sides of the argument that one can attempt to substantiate the validity of those claims and justify whether or not the opinions and conclusions are definitive enough to sway an assessment one way or the other.

Export Economic Benefit

The first claim made by supporters of the Bank is that it promotes US exports, and by so doing helps improve economic performance, increase manufacturing and industrial output, and maintain or increase the number of people employed (Staff, 2013). This in turn boosts economic spending, which, paired with the ideal amount and type of imports, creates a robust economy.

This view has been supported by many since the banks inception, from presidents over the years, to the US Chamber of Commerce and various small businesses today. Although there is currently a divide among Democrats and Republicans on the issue, both parties brought positive reassurance about the bank in the past, including President George W. Bush in 2002 who advocated his support of the agency, saying that the bank "helps advance US trade policy, facilitate the sale of US goods and services abroad, and create jobs here at home" (Exim.gov, 2014). This is a broad and considerable claim to make that entails many different aspects. Although exports do help in the accomplishment of the above points, each must be looked at individually if the assumption that the Exim Bank delivers these improvements to the economy is to be deemed valid.

Businesses (Borrowers)

Small Businesses

One of the strongest testaments towards the continuation of the Bank is its support of small businesses. Advocates such as the National Association of Manufacturers are first to articulate that small businesses stand to lose if the agency's charter is not reauthorized, particularly those businesses with a heavy reliance on international transactions and Exim support (Paletta, 2014). The organization is proud to state, that, "on average, 87% of transactions benefit small business exporters of US-made goods and services…" (Exim.gov, 2014). No doubt these businesses do rely on the Exim for support, especially when involved in trades that have need for insurance or guarantees, such as when involved with emerging economies or risky foreign markets where traditional privatized banking is not an option. In fact, according to a US ITC survey, the primary concern to surface among manufacturing SMEs in regards to trade was obtaining finance (TradeUp, 2014).

Yet Exim has much to improve in regards to supporting its small business clients. While the majority of its transactions are attributed to small businesses, less than 19% of the actual funding in terms of dollar value is channeled towards its "smaller" clients, supporting only $5.2 billion of the total $27.3 billion in authorizations (TradeUp, 2014). This is believed to partially be as a result of various obstacles that have been encountered including "the federal agencies' limited capacities to market to SMEs and lenders across the US." Further logical reasoning additionally concludes that many SMEs lack both awareness of the benefits of the Bank and the knowledge of how to take full advantage of what it has to offer (TradeUp, 2014), just as many Americans have little to no familiarity of the existence of the Exim Bank.

However, it is also important to bear in mind that the percentage of transactions with small businesses has been increasing significantly in recent years as well, with a record-high of over 3,400 transactions with such clients in 2012 alone (Report to the Congress on the Export Credit Competition and the Export-Import Bank of the United States, 2013).

Not only that, but it is important to keep in mind that simply because multiple smaller corporations cannot reach the level of a large multinational corporation in terms of dollar value of transactions, does not necessarily mean that the money granted to the lesser-known businesses is not beneficial and is not being put to good use.

Lawmakers doubtlessly see the relevance of the bank in this case, more so at this point in time whilst campaigning and are likely feeling pressure from local businesses.

Minority Businesses And Energy Sector

The bank has created additional supporters by being disposed to become more or less a "politically correct" entity. In so doing it has delegated a fair portion of its money towards minority- or women-owned-businesses, as well as renewable energy industries (Bandow, 2014). One such recent example is a more than $60 million direct loan to a subsidiary of a wind-generation company of Globeleq Mesoamerica Energy in 2013- the first transaction of its kind with Costa Rica. This assisted, according to the Department of Commerce and Labor, in creating roughly 200 American jobs in addition to the added benefit of the manufacturing plan in Fairless Hills, Pennsylvania.

And yet, even with the data to support the agency's positive intent for the environment, Congress has been urged by conservatives to prevent reauthorization, and not without reason. Among the provisions set forth by legislators is a policy set to reverse the "limiting of financing of overseas coal projects" (Bloomberg BNA, 2014). In an effort to find some middle ground to avoid the shutdown of the agency, some political officials, led by West Virginia Democrat Joe Manchin, have opted for a pro-coal provision. In so-doing, they have succeeded in attracting Republicans like Senators Mark Kirk of Illinois and Lindsey Graham of South Carolina, but have also managed to attract the disapproval of liberal Democrats like Senator Barbara Boxer of California and environmental groups such as Greenpeace and Friends of the Earth (Bradner, 2014). So while backing has increased for the bill on one side of the political front, coal-friendly Democrats have somehow jeopardized the agency's future (Bradner, 2014).

Taking a more universal look into the issue of environmentally "dirty" projects, ECA's like the Exim bank collectively "provide among the largest global sources of public financing and guarantees for fossil fuel projects..." which include "US Exim Bank's support for the Sasan ultra-mega coal project in India…. [which] if constructed,…would be among the world's largest coal power projects…" This is not to mention the countless other deals that have been authorized in the non-renewable energy sector such as providing loans and guarantees, that, from 2001 to present has totaled $14.8 billion for 78 transactions in the petroleum sector in Latin America, Africa, Russia, the Middle East, and Asia (Exim.gov, 2014). It would be biased for an observer to state that no such business should be conducted as, however unfortunate, the US and world economy relies on these products and these transactions. Completely disregarding such industries and deals would be of no benefit to either party.

And just as in the case of small businesses, the Exim Bank is looking to improve and has stated that it is dedicated to supporting renewable energy, beginning in 1994 with its Environmental Exports Program (EEP) and the Office of Renewable Energy and Environmental Exports in 2007 (Exim.gov, 2014). These offices have furthermore accorded 10% of the Bank's authorizations to be directed towards "environmentally beneficial transactions (Exim.gov, 2014).

Large Corporations/Titans

By far the most detrimental portrayal to be imposed on the Bank has been that it is a governing agency suited towards the needs and benefits of a handful of large, multinational corporations. Incoming House Majority Leader Kevin McCarthy has publicly voiced his opinion regarding this, as have many tea party conservatives who have deemed the bank as a means of "crony capitalism" (Washington Post, 2014). This leads back to the previous discussion that only a fairly small amount of funds was lent out to small businesses, and that the rest benefits the likes of General Electric, Dow Chemical, Bethel, John Deere, Caterpillar, and Boeing (Bandow, 2014). Veronique de Rugy of the Mercatus Center estimates that "the top ten recipients collect 75 percent of Exim's benefits" (Bandow, 2014). Opponents have gone so far as to call it Boeing's bank with the justification that Boeing alone accounts for approximately "40% of the Bank's credit activities" (Bandow, 2014). With figures like these it is no wonder that many have made the assumption that Exim is not as beneficial to all as it may wish to appear. Hence it has received the scrutiny of certain politicians such as Financial Services Chairman Jeb Hensarling (Washington Examiner, 2014).

But while it is easy to focus solely on the fact that the large transactions seem to be altogether one-sided towards helping corporate titans, one must not forget that each corporation is comprised of thousands of individuals whose labor and consumption sustains the economy. So although the Exim Bank approved an almost $5 billion direct loan to Sadara in 2012, it is important to be judicious and note that the record-breaking transaction will be supporting "more than 18,000 American jobs in more than a dozen states," with over $600 million of the funds directed towards the purchase of goods and services from US businesses (Adelmann, 2014). Yet for those companies that are able to obtain loans elsewhere, it is hard to justify that Exim Bank loans were the sole reason for supporting such jobs. This is when such statements border on fallacious, as it assumes that Exim Bank was the only option.

This is in no way a statement that the over half a trillion dollars in credit directed to corporate behemoths over the past eight decades (Bandow, 2014) has been fairly dispersed, especially not when over two-thirds of the Bank's loan guarantees last year backed Boeing sales (Bandow, 2014). But Boeing is also the largest US exporter and relies on the Exim bank more heavily than any other corporation, so a shutdown of the agency would negatively impact the company, its employees, and the US economy as a whole, more than for any other corporation receiving the bank's funds. As a matter of fact, Boeing states it depends on Exim so much so that in the second quarter of 2014, the company spent over $4 million lobbying for the reauthorization of the bank, knowing that without it, the airline manufacturer would probably (according to a Standard and Poor's estimate) have a financing deficit somewhere between $7 and $9 billion (VandenDolder, 2014). However, are we to assume that without Exim Bank lending, Boeing would be unable to borrow elsewhere? Whether one be partial to the idea or not, it is necessary to understand that the "Boeings" of the world provide a strong base for the country, and it would be detrimental economically to sabotage its successes so as to maintain ideological purity towards large corporations.

Below illustrates the contradictory view of how the largest exporters (and also the largest benefactors to the economy) receive precedence over smaller companies in terms of Exim support.

Top Exporters

Company (parent company, with top Ex-Im-supported subsidiaries, where applicable)	Direct approved transactions (FY 2013, in $millions)	Company revenue (latest 12M, in $millions)	Direct transactions as % of revenue
Boeing Co/The	$8,291	$88,425	9.4%
General Electric Co	$2,607	$144,689	1.8%
Bechtel Group Inc (Bechtel Power Corp)	$1,809	$39,400	4.6%
Applied Materials Inc	$1,492	$8,506	17.5%
Caterpillar Inc (Solar Turbines Inc)	$1,342	$55,216	2.4%
MacDonald Dettwiler & Associates Ltd (Space Systems/Loral Inc)	$523	$1,789	29.2%
Komatsu Ltd	$495	$19,391	2.6%
CNH Industrial NV	$370	$34,241	1.1%
Ford Motor Co	$301	$146,863	0.2%
United Technologies Corp (Sikorsky Aircraft Corp, Carrier Corp, Lenel Systems International Inc)	$275	$64,157	0.4%

Source: Bloomberg Government Excel Spreadsheet

Profits / Losses

The next claim the Exim Bank and its proponents make is that the bank is of no cost to taxpayers, and that it is in fact a profitable entity. The Exim Bank makes it a point to communicate that it is a self-supporting agency of the government that has generated income of $2 billion more than the actual cost of its operations (Exim.gov, 2014). Rather than being the typical handout, Exim furnishes the American taxpayer's pocket by returning a profit. The US Chamber of Commerce states that "the bank turned a profit in 2013 and returned $1.1 billion to the US Treasury," after covering all its expenses (Washington Post, 2014). This is not to mention that "since 1990, Exim has returned to the Treasury $7 billion more than it has received in appropriations…" (Uschamber.com, 2014).

But just like with every other money-generating entity, there are multiple accounting methods to judge profitability. Some, like Federal Reserve economist John H. Boyd maintains that "for an economic profit…Exim bank's income must exceed its recorded expenses plus its owners' opportunity cost, a payment to taxpayers for investing their funds in this agency rather than somewhere else." This was further supplemented that the bank really costs somewhere between $521 and $653 million in 1980, and with the recent exponential increases in lending the past few years, the number is expected to be much higher today (Bandow, 2014). By what methods these numbers where derived are difficult to ascertain, but it is relevant to keep in mind as there are various ways to judge company performance. Many times this can prove difficult as well because of countless regulations and transparency issues. For instance, when asked to use an alternative form of accounting, the Congressional Budget Office estimated that the bank actually had a $2 billion deficit (The Editorial Board, 2014). Then there are reports that the bank has actually made a $14 billion profit over the past 10 years (The Editorial Board, 2014) and that all of its expenses were paid by its private customers through fees and interest, serving only to reduce federal deficits, admittedly if only by a small amount (Washington Post, 2014).

Each accounting method can be debated, much less those "alternative" forms, so exclusively judging if the bank is advantageous or not on these figures leaves a lot of room to question. It is, however, one of the few government agencies that conducts business so as to receive and then return money back into the pockets of taxpayers.

Shutting down Exim Bank on the basis that Fannie Mae and Freddie Mac were profitable "until the day they were not," as Republican Thomas Massie of Kentucky states, assumes that all institutions are doomed to fail at one point in time- a bleak picture. Yet, there was forewarning of Fannie Mae and Freddie Mac, with accounting irregularities that were brought before Congress. While Exim Bank may be fully solvent and even profitable, one should take measures to insure that it remains so by maintaining a standard accounting method by a third independent party, thus avoiding speculation.

Support Provided

The Exim Bank seeks to attain several aspects of business that favors its clients, namely the following, as stated on their site: risk protection- from the challenges of commercial and political risks in international sales; extending credit to buyers- by extending insurance that "enables exporters to sell on competitive…terms" instead of having to "forgo sales because they cannot match the credit terms offered by global competitors; working capital- so companies can obtain loans that can be used to purchase finished products or raw materials, supplies, and labor; and term financing where foreign investors looking to buy US made goods and services can successfully procure competitive financing (Exim.gov, 2014).

The above points are valid particularly in cases for emerging markets and transactions regarding expensive goods such as aircraft, nuclear reactors, and earth moving equipment where commercial credit is extremely difficult to attain, if it is available at all (Kalogeridis, 2014). In many cases (depending on certain factors), the Exim bank will even "provide commercial lenders with a 90% loan backing guarantee, decreasing their risk and increasing their willingness to trade" (Exim.gov, 2014). The mandate that the Bank tries to follow through on echoes the high praise from President John F Kennedy in 1963 that the bank "provides US business with credit facilities equal to any in the world" (Exim.gov, 2014). The possibilities partially stem from the frame of mind of the Exim bank and other ECAs are part of a broader government policy context that seeks to merely recover operating and finance costs, rather than procure a market return.

Exposure And Risk

Recently, more scrutiny has been placed on the bank in terms of its lending policies and hence its financial exposure that has been rising as of late. Annual credit authorizations have grown as well as has credit outstanding from around $51 billion to $134 billion from 2007 until today (Bandow, 2014). This can arise from growing US exports and possibly increased demand for loans as business seek to expand. It can also subsequently appear from more lenient lending practices and more speculative investments. If this should be the case, both the Exim

Bank and Congress would be wise to remember that prudence comes second to none in finance, as the crash of 2008 emphasizes. Additionally, it would seem that many, especially larger companies, are using the bank as a risk mitigator, using Exim loans although they are able to lend from elsewhere, issue bonds to raise cash, or have large balance sheets. In fact, as seen below from Bloomberg, the private sector accommodates many large transactions and it can be assumed that many of the Exim loans could have, in fact, been conducted elsewhere.

Top Lenders

Company (parent company, with top Ex-Im-supported subsidiaries, where applicable)	Direct approved transactions (FY 2013, in $millions)	Company revenue (latest 12M, in $millions)	Direct transactions as % of revenue
JPMorgan Chase & Co	$2,447	$93,720	2.6%
Apple Financial Holdings Inc	$2,379	$184	1294.5%
Toronto-Dominion Bank/The	$1,907	$24,449	7.8%
Citigroup Inc	$926	$75,126	1.2%
Wells Fargo & Co	$894	$82,834	1.1%
Private Export Funding Corp	$888	…	…
BNP Paribas SA (Bank of the West/San Francisco CA)	$861	$58,373	1.5%
PNC Financial Services Group Inc	$659	$15,580	4.2%
Deutsche Bank AG	$648	$45,999	1.4%
Credit Agricole Groupe	$487	$27,973	1.7%

Source: Bloomberg Government Excel Spreadsheet

If there has been a decrease in due-diligence in lending, it has not yet surfaced. As was reported to Congress just this past March, Exim Bank's default rate is less than a fifth of a percent- at just over 0.19%- a remarkable figure (Exim.gov, 2014). This would insinuate the bank makes loans to creditworthy investors. It remains to be seen how things will develop, especially as Congress now looks into various provisional options including either increasing or decreasing the Bank's lending cap, as well as increasing mandates of accounting and risk-reporting practices.

Economic Benefits

Jobs/Employment

The 2008 collapse brought debt and housing problems, low spending, and high unemployment. The US economy, with the help of the government and various quantitative easing measures, has rebounded considerably since then, with the equity markets making new highs and U3 unemployment figures at 6.1% from a peak of 10% in 2009 (Data.bls.gov, 2014). Nonetheless, the public still hesitates to trust that the economy has completely recovered, notably since stimulus from the Fed and other government programs in the US and around the world are held accountable for spurring the growth and restoration of economic performance.

It seems as if the Exim Bank has helped (if only somewhat) in this regard, as it estimates that its programs helped create and support 205,000 jobs in 2013 and around 1.2 million private-sector American job since 2009 (Exim.gov, 2014). That claim has gained opposition from some such as Jay Etta Hecker, Associate Director of the then- Government Accounting Office, when testifying before Congress, implied that the net job gains supposedly created by the Exim bank was rather just a shift of "production among sectors within the economy rather than raise the overall level of employment in the economy"(Bandow, 2014). Whatever the real number may be, regardless of the methods that led to its achievement, it is an increase.

Government Intervention/Support And The Free Market

This brings to light a more extensive assertion of government involvement into the export economy as a whole and its interference with various aspects of markets, beginning with private flow of capital. The Bank contends that it aids to "correct market failure [by] …accurately assess[ing] international risks and underwrit[ing] projects unable to find private financing" (Bandow, 2014). As viewed by Sallie James, "When the bank finances public-sector borrowers, it delays privatization and other free-market reforms that would aid economic development." These "subsidies" politically and economically promote certain favored industries and spur companies to seek governmental aid rather than relying on entrepreneurial agility. This directs money and attention away from transactions and opportunities that might arise elsewhere. The Forbes article also referenced University of Arizona's Herbert Kaufman who estimates that "every $1 billion in federal loan guarantees crowded out between $736 million and $1.32 billion in private investment." Essentially it creates a distortion from regular market activity. To state this deviation has negatively impacted industry and growth, however, would be an extensive assumption. Although there are differences in what would otherwise occur had the Exim bank been nonexistent, the damage, if any, cannot be measured. Likewise, for the benefits that may have come about as a result (Bandow, 2014).

Hence the discussion about the appropriate viewpoint ensues regarding whether the actions of the Exim Bank are fair or not, both domestically and internationally.

Eca's Worldwide

Should the government encourage and artificially aid businesses in their international endeavors? There is serious division in opinions regarding this. The matter can also be viewed from another angle: should deals and transactions that would be of benefit to the economy be disregarded and never given an opportunity to blossom simply because of a party that is unwilling to accept certain risks without government insurance?

Exim states that it works to "level the playing field for US exporters…" which is understandable considering the vast amount of export subsidies other countries provide. Around 60 different ECAs worldwide work to provide an advantage to their countries' exports (Ex-Im Bank Reauthorization: Key Points, 2014). "The nine largest foreign ECAs- Brazil, Canada, China, France, Germany, Japan, Mexico, South Korea, and the United Kingdom- provide nearly half a trillion dollars in annual export support…" so shutting down the Exim Bank of the US would cause "unilateral disarmament," Exim spokesman Daniel Reilly cautioned (Bandow, 2014). Germany's and France's ECAs alone offer somewhere near two and a half times the export financing (measured in GDP) that Exim offered in 2012, not to mention China and India which provide three times as much or more (Ex-Im Bank Reauthorization: Key Points, 2014). Boeing always comes under fire of being the center of attention for the agency, and yet, the same is true of Airbus' position with the ECA of France. Japan supports Komatsu which is in direct competition with Caterpillar, while Germany supports Siemens and South Korea supports Samsung. Why shouldn't the US, then, do the same for its own companies?

Helping Foreign Competitors

There is another side to the equation to consider as well. In the midst of its goal to subsidize American exports, Exim has also received opposition from conservative interest groups and (surprisingly) some US business, most notably Delta Airlines. The company fears that the cheap financing offered by the bank helps their overseas rivals (Paletta, 2014). As is known, much of the financing circulated by Exim was to Boeing, whose customers directly compete with US carriers like Delta, such as the $3.3 million loan guarantee to Air India between 2006 and 2009. This, Delta believes, is one of the reasons that the company had to stop its route from New York to Mumbai for a period in 2008 (Washington Examiner, 2014). Other such examples exist as well. International financial markets are complex, and it could be suggested, therefore, that many times there are unintended consequences to arrangements that would otherwise seem straightforward. All aspects need to be taken into consideration.

Should US companies be left to their own to navigate international trade simply on the moral standpoint that government intervention is not necessary? Is it correct to assume that the private sector should technically be successful and able to stand in place of the Exim Bank? Still, keeping the Exim bank alive simply from the perspective that it is "fair" to do so is not necessarily enough of a reason. To take one action simply because another entity is doing the same does not automatically imply that the US economy will have an advantage from it even though it may seem so far from the surface. Most, however, would say that the unknown factors and consequences are far too great to risk jeopardizing the yet fragile economy.

Currency And Exports

The economic waters are difficult to navigate as nobody is privy to the consequences each action will have. But standing idle is not an option either, especially during a time when American companies must also deal with, as Senator Joe Donnelly puts it, "currency manipulation, intellectual property theft, and insurmountable regulatory barriers" (James R.

Carroll, 2014). This does not include foreign competitors and their support from ECAs. The relationship between a nation's imports and exports and, as a result, its currency, is intricate to say the least. Many countries vie for a weaker domestic currency that accordingly stimulates exports and benefits their overall economy. This is most often done by mechanisms that artificially devalue their currency, or as otherwise described, competitive devaluation or currency manipulation. China is of primary concern when it comes to its currency value.

The Treasury reported just this past April that they believe the Chinese yuan persists to be significantly undervalued, an issue that has caused controversy for years and a policy that has led to Chinese exports becoming more desirable to American consumers (Saucier, 2014). Although this is cause for concern, currency manipulation only has an extensive impact if no other nations tinker with their currency value- something that simply does not happen. All of the major central banks- whether it is the Federal Reserve, the Bank of England, the Bank of Japan, the European Central Bank, or the People's Bank of China- have engaged in currency "manipulation" through various forms be it through quantitative easing, like the US, or pegging a currency against, say, the dollar, like the Chinese yuan. Thus it is warranted that each country does what it can to protect its economy and encourage the growth of its exports. One way is through ECAs. It is only rational that a country should generate as much of a competitive advantage for its companies.

Growth/Future Of Exports

In 2010, the Obama administration set forth the ambitious goal of doubling total US exports by 2015 (Enotrans.org, 2014). Certainly the Exim Bank will assist in achieving this objective, probably by increasing its number of clients, such as small businesses which can both expand and tackle new markets. In this field, the Exim Bank has succeeded in financing "more small business exports in the last five years than in the previous eleven years combined" (Exim.gov, 2014).

Although Exim has good business prospects with many large and small transactions, its actual weight in terms of exports pales compared to that of the private sector. More than 90% of international deals are financed by the private sector. In fact, it seems that if the Exim Bank were to dissolve, there would hardly be that much of a variation in total US exports as the bank aided only 2% of the $2.3 trillion in total US transactions, if that, in 2013 (Washington Post, 2014). The fact is, that in relative terms the $3.5 trillion federal budget dwarfs the $90 million operating budget of Exim (Washington Post, 2014). It could be concluded that the Exim bank has no major effect and that if it were to disappear, no catastrophe would occur. Although it might be true, it would still leave a gap that the private sector would probably be reluctant to fill. What the bank has, however, is the potential to expand.

This lies partially in emerging economies, particularly in Africa and Latin America. The risk, however, is greater in those areas of the world, and as the Exim Bank's low default rate demonstrates, it tends to stay away from riskier investments. But there is a global rush to do more business in parts of Africa, such as the sub-Saharan area, and opportunities continue to appear. Just in 2011, Exim Bank supported transactions totaling $1.4 billion in that region (Exim.gov, 2014). Indeed, at a past US-Africa Business Forum, influential figures such as former President Bill Clinton, GE CEO Jeff Immelt and Africa's wealthiest individual, Aliko Dangote, all stated their support of a Exim reauthorization (Washington Post, 2014).

If US export numbers were to increase as dramatically as hoped for by the Obama administration, the Exim Bank would have to engage in business with countries that have more difficulty attracting private financing, rather than countries like South Korea and Brazil (Bandow, 2014).

The airline industry shows an inclination for growth too as Boeing estimates that "over the next 20 years, 33,000+ commercial aircraft will be manufactured globally…" and that the majority of financing will come from ECA's (Enotrans.org, 2014). This is another strong reason for support of the Exim Bank. This comes to show that although it may just be a "blip" in the $17 trillion economy (Bandow, 2014), Exim's efforts are not to be disregarded since many will rely on its services in the future.

Current Position Politically And The Continuing Resolution

Several developments came to pass as the Exim bank neared its September 30 expiration. The never-ending debate between parties about its relevance to the benefit of the economy did anything but lead Congress to take a specific, determinable action towards resolving the issues encompassing the bank. Its future remains as ambiguous as ever. By shunning a reauthorization of Exim, the bank would essentially dwindle into obscurity. It would not disappear instantly but rather slowly shrink as it would finance current applications but will be unable to "originate new loans or accept new credit applications" (Paletta, 2014). Eventually it would go out of business. Whether this happens now or after the term of the continuing resolution remains to be seen, but will produce the same outcome.

Possible Outcomes

While the U.S. Export-Import bank was reauthorize by Congress (319-108) with a temporary extension to June 30, 2015, the long-term future of the bank remains uncertain.

The Congressional debate about the future of the EXIM bank is more about political rhetoric and less about the actual fundamental issues. With the polarized political parties in Congress, the EXIM bank's future will be "horse traded" with short-term reauthorizations as an add-on to larger legislation bills.

The most viable possibility is that the Exim Bank's charter will receive a temporary renewal as an add-on to the continuing resolution. While keeping the bank alive, it is essentially a postponement for any long-term planning or decision about the institution's future (Catalini and House, 2014).

The continuing resolution (CR) had a high probability of passing for a number of reasons. For one, since a reauthorization is unlikely in the foreseeable future, Democrats would rather acquiesce to a CR with a temporary extension of the life of the bank, than be blamed for a government shutdown for the sake of a bank that few have heard of (Rogers, 2014). Some Democrats have, however, threatened to proceed with this course of action and stated they won't sign off on the CR until they see a 5-year extension on the bank. Vermont Democrat Peter Welch was reported saying "If the CR is a vehicle to kill the Export-Import Bank we should defeat the CR and sit down and negotiate" (Congress Tracker, 2014). Republicans would then be able to politically capitalize on the situation, a position that Democrats where in just the previous year (Congress Tracker, 2014). Politically, it is far from an optimal situation for liberals so it will most likely be avoided.

Long-term reauthorization seems a long way off as well. As long as conservatives are headlining opposition against the bank and are willing for only a short-term extension, it will be difficult for a renewal bill ever to make it to the floor of the House, and pass. Even if enough Republicans do support the bill, it would still have to contend with House Majority Leader Kevin McCarthy who has publicly shared his opposition against the reauthorization of the bank. It would put some Republicans in a difficult position if they would need to vote against their leadership and like Timothy Carney of the Washington Examiner states, "when a committee chairman doesn't want a bill to pass out of his committee, the bill doesn't pass..." (Washington Examiner, 2014). Hence something would need to be done to avert a situation to accept passing the Senate's Exim reauthorization version or face a government shutdown. This is where the continuing resolution came into play.

Lawmakers had argued that they need more time to sort through the various issues of the CR, including the Exim bank. But more honestly, it would "allow lawmakers to leave Washington for the campaign stretch run without having really decided one way or the other" (Catalini and House, 2014). In truth, the CR provides both sides with advantages and disadvantages. The temporary extension to the end of June 2015 allows Democrats to keep the bank alive in the hopes that time would assist in their aim to leverage uncertain Republican support towards reauthorization (Congress Tracker, 2014). The timing of the reauthorization advantageously coincides with the length of the continuing resolution, something the Democrats set up well so as to be able to save the institution alongside broader talks over a continuing resolution" (The Hill, 2014).

What may help Democrats might also work against them. They would like to lock in a 5- or 7-year authorization, knowing that an extension serves the other party in the future when they attempt to "kill" the bill later on. For now it looks like the CR with the bank included in it has passed with a short-term extension. The long-term reauthorization future still remains an unknown and could come into play in the 2016 Presidential election.

Reauthorization Compromises

Eventually, however, the deadline will come around. If the Export-Import Bank is to survive, lawmakers would have to find some middle ground. As Rep John Campell said a little while back, "A reauthorization with reforms…is the only thing actually that could get 218 votes and pass the House floor" (Bradner, 2014). Democrats are rather looking at a number of measures, including West Virginia Democrat Joe Manchin's proposal of a five year extension and an increase in lending authority from $130 billion to $160 billion. That proposal also includes a pro-coal provision, something that has brought a few Republicans on board but has strained relations with some liberal Democrats. Other propositions include Democrat Denny Heck's legislation that would reauthorize the bank for seven years and raise the financing cap to $175 million. This proposal, however, has a faint chance of getting GOP support.

However, to gain appease and success in a compromise more extensive measures need to be looked into. Some involve looking into issues receiving criticism. This was touched upon by an introduction bill that included a drop of the lending cap to $95 billion and more stringent approaches to analyzing accounting and risk-reporting practices (Bradner, 2014). More or less, it would have to deal with lending and risk practices, the two of which somewhat mesh together.

Interest Rates

The first measure would be looking into making interest rates more competitive and reflect the risk of the borrower as well as that of the endeavor. This would help the bank uphold its stance of not directly competing with the private sector. Many times in past and recent history, it has not only charged competitive rates, but also issued rates that are lower than traditional private lenders. As one fund manager puts it, the bank "…attracts companies that are taking advantage of the low rates who could easily go to the private sector, raise debt themselves, or already have cash on the balance sheet" (Williams, 2014). In making rates more competitive that justify the risk of the investment/loan, the Bank would not only be putting taxpayer's money at less risk, but also have less of an impact on the free market.

Lender Of Last Resort

Additionally, and as a complement to the first concept, would be for the bank to position itself more as a lender of last resort. As suggested by some, it might be beneficial to set a policy where only those companies that are unable to borrow money through traditional lenders are able to have access to Exim's financing. This would not include those firms, large or small, that are able to access capital but are adverse to the high rate or conditions of the private sector. In such cases, the bank would comply with helping those that truly need the assistance, thus also focusing on smaller businesses rather than corporate institutions and addressing oppositional concerns as to who the bank is lending to.

Standard Accounting—A Third Party

The Exim Bank should also look into producing independently audited GAAP reported statements, so as to avoid the array of several "alternative" accounting methods. While true, alternative accounting methods may help better understand the business, but they may also lead to some incorrect assumptions. A standard accepted accounting method conducted by third party will avoid future concerns and skepticism, and possibly head-off accounting issues.

The independent analysis should also include risk-adjusted performance measures as credit risk is a far more complex issue as well. Therefore, third-party risk service may also be considered.

Conclusion

Both fact and analysis were laid out in this paper, highlighting the advantages and the disadvantages of the Exim bank from different points of view of various claims. While solid valid arguments can be made for the demise or commencement of the Export-Import Bank of the United States, it is slightly easier to sway towards its reauthorization. Assumptions about the bank's erroneous contribution towards job gains and profits, and its interference in the free market transactions may make one prone to take a negative stance on the subject. Yet to agree on those opinions would be to concur with ideas that are as much theoretical as material as they have yet to be proven by fact and figure. As anything in politics, many times it is a process of choosing the lesser of two evils. Through its existence in the past decades, statistical evidence has accumulated to the extent where one can confidently conclude that the Exim Bank does in fact offer its services to hundreds of small businesses. It does sustain large corporate titans which are comprised of thousands of individuals and it does make thoughtful decisions into its investments and risks. It takes action out of necessity to settle international trade instability caused by the support of foreign ECAs and currency fluctuations. Although it may not be making the most of its unique position or have obvious flaws in its operations and structure, which is not sufficient reason to justify its termination. It is simple enough to assume that the Exim Bank has many flaws, which it invariably does just like any legacy agency, especially with one of government backing.

The world was a different place a while back when economic conditions were stressed under the threat of deflation, the nation was still using a gold standard (which had even been suspended temporarily), and global trade was based on the US being a net exporter. Times have changed drastically since the Exim Bank was first established. Perhaps its flaws are in its legacy in addressing the needs of a nation of the 1930s and not one of the 21st century. Reforming the Exim Bank for today's requirements will not only confront the ardent criticism, but allow the bank to continue with its initial mandate- not competing with the private sector, but rather fill "gaps in trade financing."

Without a better and proven alternative, there is no choice but to reauthorize the institution. It is up to Congress at this point to fine tune the Exim Bank and address issues and concerns to help solve the defects of the Bank for the 21st century.

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