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INTRODUCTION: THE EXPORT-IMPORT BANK

LYNN U. STAMBAUGH*

The Export-Import Bank of Washington (Eximbank) is a corporation wholly-owned by the Government of the United States. Its operations are managed by a board of directors of five members appointed by The President of the United States with the advice and consent of the Senate. Having served as a member of the Board of Directors of Eximbank for a period of approximately twenty years, under both Democratic and Republican administrations, I continue, in my retirement, to be vitally interested in the operations of Eximbank. Accordingly, it is a pleasure for me to pen these few words by way of introduction to the accompanying article of Mr. Harrison Howes which is addressed, in part, to certain of the operations of Eximbank.

Much has been said and has been written about the balance-of-payments problem confronting our nation today. Much more will be said and will be written in the days that lie ahead. It is truly a big problem; a problem composed of many facets and many aspects. The accompanying article by Mr. Howes and the thoughts stimulated therein relating to certain aspects of our balance-of-payments problem and the contribution to the solution of this problem being made by Eximbank is extremely timely.

Eximbank was created in 1934 to assist in financing and to facilitate the foreign trade of this nation, and after more than thirty years of operations, the further development and expansion of that foreign trade continues to be its primary function. All Eximbank loans are made in United States dollars and are repaid in United States dollars. In the typical loan those dollars never, in fact, leave the United States, but instead are disbursed by Eximbank through the hands of United States commercial banks to United States manufacturers and suppliers of goods and services of United States origin, which goods and services are shipped, on United States vessels if available, to the foreign borrowers. As these loans mature and payments thereon are made by the foreign borrowers, United States dollars flow into our country in amounts correspond-

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ing to the outflow of the products of our land. Thus it is that such loans by Eximbank assist in stimulating the export business of American manufacturers, American suppliers, American farmers, American engineers, and virtually every segment of our nation's economy and, at the same time make a very significant contribution to the inflow of United States dollars.

In the accompanying article, the Export Credit Guarantee and Insurance Program of Eximbank is reviewed and given particular attention. Although this program is relatively new at Eximbank, it has already met with marked success. During the calendar year 1965 Eximbank authorized the issuance through Foreign Credit Insurance Association (FCIA) of export credit insurance policies valued at \$676 million covering both commercial and political risks and covering both short term and medium term credits. These FCIA policies were issued in connection with sales of agricultural commodities, consumer goods, industrial products, and a wide variety of United States machinery and equipment. In addition to the issuance of FCIA Export Credit Insurance, Eximbank in calendar year 1965 authorized the issuance to United States commercial banks of its guarantee of obligations of foreign buyers purchased by said commercial banks, without recourse upon the American exporter, in an aggregate amount of \$347 million. Substantial as these figures are, it is reasonable to assume that as American exporters become increasingly familiar with the operations of the Export Credit Insurance Program and the Export Credit Guarantee Program, the volume of our nation's export business will steadily increase.

Significant as the Export Credit Guarantee and Insurance Program is, it represents only a fraction of Eximbank's total operations. Of equal or even greater impact upon our nation's balance-of-payments problem are the direct lending operations of Eximbank. Under its direct lending authority, Eximbank establishes its so-called "project" credits. Eximbank's direct loans are made either to foreign governments or to private companies abroad to assist in financing purchases of items of United States origin required in connection with the construction abroad by the foreign borrower of facilities such as power plants, fertilizer plants, steel mills, and sugar mills. The construction of such facilities abroad often requires the utilization of American know-how, American engineering, American design, and American-made machinery, equipment, and supplies. It has been demonstrated that as the direct result of a single Eximbank project loan, purchase orders were placed by the foreign borrower with more than 3,000 United States contractors, sub-contractors, and suppliers. Moreover, the initial installation of American machinery and equipment in large plants, mills, and

facilities abroad will generate for many years repeat orders not only in connection with maintenance and repairs, but also in connection with future expansion of those plants and facilities. As mentioned above, the proceeds of these direct loans do not go abroad, but are spent entirely in the United States. The items of United States manufacture or origin purchased with the proceeds of these loans are shipped abroad and as the loans mature the principal plus interest thereon flows back to the United States in dollars.

Congress has required in the Export-Import Bank Act of 1945, as amended, that loans by Eximbank should, in the opinion of the board of directors, offer reasonable assurance of repayment; and further, that in making said loans Eximbank should supplement and encourage but not compete with private capital. The record of Eximbank's operations over a period of more than 30 years demonstrates that it has been singularly successful in effecting collections of its loans and in steadfastly adhering to the mandate of the Congress.

Thus it is, that in the single calendar year 1965 through the operation of Eximbank, including both the Export Credit Guarantee and Insurance Program and also the direct lending operations of Eximbank, the United States balance-of-payments position benefited to the extent of an estimated \$1.4 billion, \$700 million of this being in the form of collections by Eximbank of principal and interest on its direct loans and \$724.6 million being derived from payments made on exporter credits guaranteed or insured under Eximbank's short and medium term Export Credit Programs. The contribution of this one government agency to the solution of our nation's balance-of-payments problem is truly significant and the accompanying article by Mr. Howes is most timely.