CRS Insights

Export-Import Bank Reauthorization Debate
Shayerah Ilias Akhtar, Specialist in International Trade and Finance (siliasakhtar@crs.loc.gov, 7-9253)
August 18, 2014 (IN10097)

The Export-Import Bank of the United States (Ex-Im Bank or the Bank), a wholly owned federal government corporation, is the official export credit agency (ECA) of the U.S. government. Its mission is to assist in the financing of U.S. exports of goods and services to support U.S. employment. On a demand-driven basis, it seeks to provide financing when the private sector is unwilling, or unable, to undertake alone such financing at terms commercially viable for exporters; and/or to meet foreign competition by countering government-backed financing offered by foreign countries to their companies. Its statutory charter (Export-Import Bank Act of 1945, as amended, 12 U.S.C. §635 et seq.) expires on September 30, 2014 (P.L. 112-122), meaning that the agency's authority to enter into new obligations generally would cease and a wind-down of operations would be required. (This issue is distinct from an "authorization of appropriations" expiring, which would not, in and of itself, terminate such authority to operate.) Congress is considering whether to renew Ex-Im Bank's authority and, if so, for how long and under what terms. See CRS Report R43671, *Export-Import Bank Reauthorization: Frequently Asked Questions,* and CRS In Focus IF00021, *Export-Import Bank (Ex-Im Bank) Reauthorization (In Focus)*.

Background

Congressional and stakeholder views on Ex-Im Bank vary. Proponents contend that the Bank supports U.S. exports and jobs by addressing shortfalls in private sector financing and helping U.S. exporters compete against foreign companies backed by their governments' ECAs. Critics contend that it crowds out private sector activity, picks winners and losers through its support, operates as a form of corporate welfare, and poses a risk to taxpayers.

While Congress has renewed Ex-Im Bank's authority many times, the reauthorization issue is subject to increasing congressional debate—coinciding with questions over the role of the U.S. government in supporting exports, the appropriate size and scope of the government, and other issues. In April 2014, the Obama Administration proposed draft legislation including a five-year extension of the Bank's authority and an increase to $160 billion by FY2018 in its exposure cap.

Possible Scenarios for Authorization Status

Congress could take a range of approaches related to Ex-Im Bank. In the 113th Congress, proposals have included, for example, a largely "clean reauthorization" of the Bank (H.R. 4950); reauthorization with various reforms (S. 2709 and a discussion draft of a bill); and termination of authority (H.R. 2263 and S. 1102). Possible options are summarized below.

"Clean Renewal" or Renewal with Limited Changes

Options for a renewal of Ex-Im Bank's charter include a "clean reauthorization" extending its termination date, or reauthorization with limited changes, such as revising its exposure cap ($140 billion for FY2014). Supporters of such options argue that they facilitate Ex-Im Bank's current role in federal export promotion, while opponents contend that they neglect to address fundamental concerns about the Bank.

Shorter extensions of authority in the past arguably have given Congress the opportunity to weigh in on Ex-Im Bank operations more frequently through the lawmaking process, while a longer extension could enhance the Bank's long-term planning ability and provide more assurance to clients of its viability. The most recent extension, in 2012, was for about two years and four months (P.L. 112-122). Recent longer-term extensions have been around four to five years, and going further back in the Bank's history, as long as approximately six to seven years. Congress also has extended its authority on a short-term basis, including through provisions in continuing resolutions. (See CRS Report R43405, *FY2014 Continuing Resolutions: Overview of Components*, by Jessica Tollestrup.)

Renewal with Substantive Reforms

Renewal of Ex-Im Bank's charter could include more substantive reforms, such as to its authorities, policies, and risk management practices. Such reforms could be motivated by a range of reasons, including enhancing Ex-Im Bank's ability to fill in gaps in private sector financing and to offset competition from foreign ECAs; limiting the size and scope of its activities and its exposure to U.S. taxpayers; and furthering efforts to eliminate all ECA activity internationally. Proposed reforms may raise, among other things, issues regarding the extent to which such changes would balance Ex-Im Bank's core mission to boost U.S. exports and jobs with supporting other U.S. policy interests.

Lapse in Authority

Options for a lapse in authority include taking no legislative action or passing legislation, for instance, with specific parameters for a wind-down in Ex-Im Bank's functions. The Bank's charter (12 U.S.C. §635f) generally terminates its functions on September 30, 2014, but permits it to acquire obligations and liabilities prior to this date that mature after this date; issue, prior or subsequent to this date, bonds or other debts that mature after this date; and continue as a corporate entity and exercise certain functions for an "orderly liquidation." According to Ex-Im Bank, generally speaking, if its authority expires, no new commitments (including new credit and insurance transactions) could be approved by its Board of Directors or under delegated authority, but prior obligations (including disbursements on already-approved final commitments) would continue. The Bank would continue to make expenditures in its operations (including salary and rent), while developing a plan for orderly liquidation. However, the specifics of a liquidation plan, as well as the resources and time required for its implementation, are unclear. A broader debate also exists about the implications of a lapse in authority for the U.S. economy, with stakeholders' positions based on their views of the rationales for the Bank's existence.

Reorganization of Functions

Various trade reorganization proposals have been considered over time, including President Obama's proposal in 2012 to reorganize the business- and trade-related functions of Ex-Im Bank and five other agencies into an umbrella "department of trade." Such proposals prompt debates about whether reorganization would reduce costs and duplication and improve the effectiveness and efficiency of trade policy programs, or undermine the activities of federal agencies, given their differing missions, and result in the creation of larger, more costly bureaucracy (For more, see CRS Report R42555, *Trade Reorganization: Overview and Issues for Congress*, by Shayerah Ilias Akhtar.)