



Export-Import Bank: Background and Legislative Issues

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Summary

The Export-Import Bank (Ex-Im Bank) is the chief U.S. government agency that helps finance American exports of manufactured goods and services with the objective of contributing to the employment of U.S. workers. (For additional information, see the Bank's Internet site: <http://www.exim.gov>.) With an annual budget of around \$200 million, the Bank finances less than 1% of U.S. exports a year. Ex-Im Bank provides loan guarantees, working capital guarantees, and insurance to commercial banks to make trade credits available to U.S. exporters. The Bank also offers direct financing to U.S. exporters on a limited basis, primarily to counter subsidized trade credits offered to foreign exporters by their governments.

On December 20, 2006, President Bush signed P.L. 109-438, to reauthorize the Bank's authority through September 30, 2011. Since the FY2008 appropriations, the Ex-Im Bank has been a "self-sustaining" agency for appropriations purposes. The Bank funds its administrative and program costs through fee income generated from its financing programs.

On March 11, 2009, President Obama signed the Omnibus Appropriations Act of 2009 (P.L. 111-8), which authorized a limit of \$41 million on the total amount that the Bank can spend on its loan, guarantees, and insurance programs and a limit of \$82 million for the Bank's administrative expenses. In addition, under the legislation, offsetting collections of up to \$75 million above the approved spending levels are to be available for use in the following three fiscal years. This report will be updated as events warrant.

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Background

The Export-Import Bank (Ex-Im Bank) is an independent U.S. government agency that is charged with financing and promoting exports of U.S. manufactured goods and services with the objective of contributing to the employment of U.S. workers. To accomplish these goals, Ex-Im Bank uses its authority and resources to: assume commercial and political risks that exporters or private financial institutions are unwilling, or unable, to undertake alone; overcome maturity and other limitations in private sector export financing; and assist U.S. exporters to meet foreign, officially sponsored, export credit competition. The Bank operates under a renewable charter, the Export-Import Bank Act of 1945, as amended, and has been authorized through September 30, 2011. The charter requires that all of the Bank's financing have a reasonable assurance of repayment and directs the Bank to supplement, and to not compete with, private capital.

When it was initially established, the Bank was capitalized by an appropriation of \$1 billion from the U.S. Treasury. The Bank also is authorized to borrow up to \$6 billion directly from the Treasury, and it may draw upon a substantial line of credit with the Federal Financing Bank (FFB). (The Federal Financing Bank is a part of the Department of the Treasury and obtains its funds from regular Treasury issues.) Ex-Im Bank uses its Treasury borrowings to finance its short-term needs, and repays the Treasury quarterly from loan repayments and by borrowing from the FFB on a medium-and long-term basis. Ex-Im Bank has not borrowed from the FFB after FY1997.¹ The Bank's authority to lend, guarantee, and insure is limited to a total of \$100 billion. The outstanding principal amount of all loans made, guaranteed, or insured by the Ex-Im Bank is charged at the full value against the \$100 billion limitation.

The Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) included two sections with implications for the Export-Import Bank's budget. Under the terms of the Budget Enforcement Act of 1990 (Title XIII), Congress appropriates the estimated amount of subsidy the Bank expects to expend throughout all of its credit programs, including direct loans, guarantees, and insurance, as indicated in **Table 1**. Congress no longer sets separate limits on the amount of loans, guarantees, and insurance the Bank can authorize, but the Bank continues to provide estimates of the amounts of activity it expects to undertake. Under the Federal Credit Reform Act of 1990 (Title V), for a given fiscal year, the cost of federal credit activities, including those of the Ex-Im Bank, is reported on an accrual basis equivalent with other federal spending, rather than on a cash flow basis, as used previously.² The Bank's estimates now allocate budgetary resources to reserve against the estimated risk of loss to the Bank.

As of FY2008, the Ex-Im Bank is now "self-sustaining" for appropriations purposes.³ In its FY2008 and FY2009 budget requests, the Bush Administration requested appropriations for Ex-Im Bank's subsidy and administrative expenses, but stated that offsetting collections would count against the appropriation from the General Fund and the appropriation is expected to be \$0. In

¹ Federal Financing Bank, *Financial Statements*, multiple years, <http://www.ustreas.gov/ffb/financial-statements/>.

² CRS Report RL30346, *Federal Credit Reform: Implementation of the Changed Budgetary Treatment of Direct Loans and Loan Guarantees*, by James M. Bickley.

³ Export-Import Bank of the United States, *Annual Report 2008*, Washington, DC, 2008, p. 3.

essence, the Bush Administration requested approval for the level of expenses that Ex-Im Bank would cover on its own. In addition, offsetting collections of up to \$50 million above the approved spending levels would be available for use in the following three fiscal years. As part of the continuing resolutions passed by Congress and signed by President Bush (P.L. 110-329, P.L. 111-6), Ex-Im Bank funding continued at 2008 levels until March 11, 2009.

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Table I. Budget of the Export-Import Bank
(in millions of dollars)

	FY03	FY04	FY05	FY06	FY07	FY08	FY09
<i>Total Subsidy Requested</i>	\$541	\$0	\$126	\$187	\$26	\$68	\$41
<i>Total Subsidy Appropriated</i>	513	0	60	100	NA	68	41
Operating Expenses	433	583	661	353	366	622	140
-Direct Loan Subsidy	1	22	—	1	—	17	17
-Guarantee Loan Subsidy	317	247	227	185	51	36	37
-Loan Modifications	3	10	14	5	8	2	—
-Administrative Expenses	68	73	73	73	73	78	82
-Re-estimates of Subsidy Costs	44	231	347	189	241	487	—
Budget Authority (gross)	622	306	477	198	341	609	124
-Appropriated	577	72	132	109	99	-25	—
-Other	45	234	345	89	242	634	124
Budget Resources	1,268	1,290	1,252	812	712	955	457
-Budget Authority (gross)	622	306	477	188	341	609	124
-Recoveries from previous years	89	149	70	22	—	—	—
-Unobligated resources start of year	557	835	705	592	371	346	333
-Unobligated resources end of year	835	705	591	371	346	333	317
Budget Authority (net)	621	305	476	198	340	462	-41
Outlays (net)	645	718	681	318	450	554	44

Source: Office of Management and Budget. *Budget of the United States Government*, various issues. Washington, U.S. Govt. Print. Off.

Note: Data for FY2008 and FY2009 are requested, or estimated amounts.

Programs

Ex-Im Bank has four main financial products it uses to support U.S. exports: direct loans, loan guarantees, working capital guarantees, and export credit insurance. The Bank's financing programs are used primarily to aid U.S. exporters in instances where they face a foreign

competitor that is receiving officially subsidized financing by a foreign government, or when private sector financing is unavailable. They are made primarily to counter attempts by foreign governments to sway purchases in favor of their exporters solely on the basis of subsidized financing, rather than on market conditions (price, quality, etc.), and to enforce internationally agreed upon terms and conditions for export financing.

Direct Loans

Prior to 1980, the Bank's direct lending program was its chief financing vehicle, which it used to finance such capital-intensive exports as commercial aircraft and nuclear power plants. Both the budget authority requested by the Administration and the level approved by the Congress for the Bank's direct lending were sharply reduced during the 1980s. The direct loans carry fixed interest rates and generally are made at terms that are the most attractive allowed under the provisions of international agreements. The Bank also has an Intermediary Credit Program it uses to offer medium- and long-term fixed-rate financing to buyers of U.S. exports, but U.S. exporters also must face officially subsidized foreign competition to qualify for this program. In FY2008, Ex-Im Bank made two direct loans, one to Brazil for helicopters (\$11.8 million) and the other to Ghana for equipment for a rural electrification project (\$344.2 million).⁴ In comparison, in FY2007, the Bank made no direct loans, and in FY2006 it authorized three.

As part of its direct lending program, the Bank has a tied aid "war chest" it uses to counter specific projects that are receiving foreign officially subsidized export financing. Tied aid credits and mixed credits are two methods whereby governments provide their exporters with official assistance to promote exports. Tied aid credits include loans and grants which reduce financing costs below market rates for exporters and which are tied to the procurement of goods and services from the donor country. Mixed credits combine concessional government financing (funds at below market rates or terms) with commercial or near-commercial funds to produce an overall rate that is lower than market-based interest rates and carries more lenient loan terms. The United States does tie substantial amounts of its agricultural and military aid to U.S. goods, but it generally has avoided using such financing to promote American capital goods exports. Funds for the tied aid war chest are available to the Bank from the Treasury Department and are subtracted from the Bank's direct credit resources. Applications for the tied aid fund are subject to review by the Treasury Department. Since 2002, the Ex-Im Bank has authorized three tied aid transactions.

Export Credit Guarantees and Insurance

Export credit guarantees and insurance are the main programs the Bank uses to assist American exporters. Both programs reduce some of the risks involved in exporting by insuring against commercial or political uncertainty. There is an important distinction, however, between the two programs. Insurance coverage is more conditional than a guarantee. Insurance coverage carries various conditions that must be met by the insured before the Bank will pay off a claim. In contrast, a guarantee is a commitment made to a commercial bank by the Export-Import Bank that promises full repayment with few, if any, conditions attached.

⁴ Export-Import Bank of the United States, *Annual Report 2008*, Washington, DC, 2008, pp. 22-23.

Working Capital Guarantee Program

Ex-Im Bank also offers a working capital guarantee program that it uses to facilitate working capital financing to small- and medium-sized businesses. Businesses that qualify have exporting potential but need working capital funds to produce or market their goods or services for export. Guarantees are offered to qualified lenders (primarily commercial banks) in order to facilitate loans to small businesses. In FY2008, the Bank authorized \$1.4 billion working capital guarantees, of which \$1.1 billion was for small businesses.⁵

Bank Program Authorizations

In FY2008, the Bank authorized a total of \$14 billion in loans, guarantees, and export credit insurance to support an estimated \$20 billion in exports. This represented an increase from FY2007, during which the Bank authorized \$13 billion in loans and guarantees to support an estimated \$16 billion in U.S. exports. The Bank approved 2,704 authorizations in FY2008, compared to 2,793 authorizations in FY2007. By value, about 22% of the Bank's authorizations went toward assisting small businesses in FY2008, compared to 27% in FY2007. In contrast, by number of transactions, about 86% of the Bank's authorizations were directed toward support for small business exporters in both FY2007 and FY2008.⁶

Recent Developments

In response to commercial and liquidity shortages associated with the global financial crisis, the Export-Import Bank took several actions in November 2008 to assist U.S. exporters. Ex-Im Bank took measures to expand coverage under and to provide flexible financing terms for its working capital guarantee program. Additionally, in order to expedite U.S. exports to South Korea, the Bank granted special delegated authority to help insure U.S. lenders' confirmation of Korean banks' letters of credits.⁷

In February 2009, a settlement was reached in an environmental lawsuit brought by Friends of the Earth, Greenpeace, and four cities (Boulder, Colorado and the cities of Arcata, Santa Monica, and Oakland in California) against the Export-Import Bank and another U.S. government agency, the Overseas Private Investment Corporation (OPIC), in 2002.⁸ In the lawsuit, the environmental groups and cities alleged that Ex-Im Bank and OPIC provided more than \$32 billion in financing and insurance from 1990 to 2003, without assessing the extent to which the projects contributed to climate change in the United States as required by the National Environmental Policy Act (P.L. 91-190). Under the settlement, Ex-Im Bank is able to continue funding fossil fuel projects, but it must disclose the estimated carbon dioxide emissions from potential transactions for such projects on its website; make public its determinations as to whether the National Environmental Policy

⁵ Export-Import Bank of the United States, *Annual Report 2007* and *Annual Report 2008*, Washington, DC, p. 14.

⁶ Export-Import Bank of the United States, *Annual Report 2007* and *Annual Report 2008*, Washington, DC.

⁷ Ibid.

⁸ Friends of the Earth v. Mosbacher, 488 F. Supp. 2d 889 (N.D. Cal. 2007).

Act applies to specific transactions involving fossil fuel projects and provide opportunity for comment; develop and implement a carbon policy in cooperation with plaintiff representatives that will include a \$250 million renewable energy loan facility; and promote consideration of climate change issues among export credit agencies with the Organization of Economic Development (OECD).⁹ Observers point out that the Ex-Im Bank has had a track record of promoting environmentally-friendly exports and assessing the environmental impact of its projects since the early 1990s.

In November and December of 2008, two groups of Members of Congress sent letters to the Export-Import Bank calling on the Bank to ensure that its projects do not conflict with national security and to end loan guarantees to companies doing key business with Iran. The December 2008 letter requested the Bank to rescind loan guarantees worth \$900 million made to the Indian company Reliance Industries Limited (RIL) until the company agrees to stop exporting gasoline to Iran. RIL is reported to provide Iran with up to 30% of its imports of gasoline.¹⁰ The Ex-Im Bank authorized two loan guarantees to RIL, one in July 2007 for supporting the company's petroleum refinery equipment and services (\$500 million) and the other in August 2008 for oil and gas development and exploration in India's Bay of Bengal region (\$400 million).¹¹ Members raised concerns about the foreign policy and national security implications of providing loans to RIL. Since the letter, in January 2009, RIL reportedly announced that it will terminate gasoline sales to Iran once its current contractual obligations expire.¹² The Bank is allowed to deny applications for credit on the basis of non-financial and non-commercial considerations in cases where the President, in consultation with the House Financial Services Committee and Senate Banking, Housing and Urban Affairs Committee, determines that the denial of such applications would advance U.S. national interests.¹³

In 2007, several individuals were charged with scheming to defraud Ex-Im Bank. In one case, an exporter, buyer, and broker all allegedly conspired to misappropriate loan proceeds from an Ex-Im Bank-supported loan.¹⁴ Convictions were obtained in 2008 for some individuals charged in connection with fraud schemes.¹⁵ Fraud can waste Bank resources and undermine the Bank's programs. In response to concerns about fraud, Ex-Im Bank adopted new guidelines for its transaction partners (lenders, brokers, and exporters) in January 2008 to reduce the risk of fraud, "Transaction Due Diligence Best Practices." These guidelines consist of a series of questions to help transaction partners undertake effective due diligence and assess the risk of fraud in their transactions. Applicants for Ex-Im Bank assistance are under no legal obligation to follow the

⁹ "Lawsuit Forces U.S. Financing Agencies to Account for Climate," *Environment News Service*, February 7, 2009. Gerald Karey, "ExIm Bank, OPIC agree to provide \$500 mil for renewable energy," *Platts Commodity News*, February 6, 2009. Meeting with Export-Import Bank officials, March 9, 2009.

¹⁰ "Rep. Sherman Issues Statement on Reported RIL Decision to Stop Selling Refined Petroleum to Iran," *US Fed News Service*, January 7, 2009.

¹¹ Export-Import Bank of the United States, *Annual Report 2008* and *Annual Report 2007*, Washington, DC.

¹² "Reports of Indian Company's Decision to Halt Gas Shipments to Iran Welcomed by Sherman," *International Trade Daily*, January 8, 2009.

¹³ Export-Import Bank, *The Charter of the Export-Import Bank of the United States*, as amended through P.L. 109-438, December 20, 2006, pp. 10-11.

¹⁴ "Eight Charged in Connection with \$80 million Scheme to Defraud Ex-Im Bank," *U.S. Fed News*, October 11, 2007.

¹⁵ Export-Import Bank, "California Man Sentenced to Six Months in Prison in Connection With ," press release, July 18, 2008.

guidelines, but they are written to help the applicants prevent financial and legal losses as well as to help Ex-Im Bank prevent fraud. In addition to reducing the risk of fraud, these guidelines aim to decrease the processing time for applications, which has been a concern in the business community.

International Agreements

The United States generally opposes subsidies for exports of commercial products. (Nevertheless, like most countries, the United States has in place procurement policies that seek to assure that most U.S. foreign assistance funds are spent by the recipients on U.S. goods and services.) Since the 1970s, the United States has led efforts within the Organization for Economic Cooperation and Development (OECD) to adopt international protocols which reduce the subsidy level in export credits by raising the interest rates on government-provided export credits to more closely reflect market levels.

The primary agreement governing export credits is the OECD “Arrangement on Officially Supported Export Credits” (the “OECD Arrangement”), which was concluded in November 1991 and has been revised. Participants agreed to tighten further restrictions on the use of tied-aid. The participants agreed that projects would be financially viable, and commercial credits would be prohibited from using tied or partially untied aid credits, except for credits to the least developed countries where per capita income is below \$2,465. Moreover, the agreement set up tests and consultation procedures to distinguish between projects that should be financed on market or official export credit terms, and those that legitimately require such aid funds. In addition to agreements on credit terms, OECD member countries have agreed to other guidelines for official export credit. In 2007, OECD member countries agreed to revise guidelines on environmental procedures, referred to as “Common Approaches on Environment and Officially Supported Export Credits” (the “Common Approaches”). These environmental guidelines call for member governments to review projects for potential environmental impacts and to assess them against international standards, such as those of the World Bank. They also call for more public disclosure for environmentally sensitive projects. The OECD also adopted new guidelines on sustainable lending principles that aim to help developing countries avoid a renewed build-up of debt after receiving debt relief.

Another issue of concern is that some countries outside of the OECD, such as China, are becoming major providers of official export credit finance. To the extent that these countries’ export credit agencies provide financing on terms that are more advantageous than those allowed within the OECD Arrangement, the Ex-Im Bank and other OECD export credit agencies may find it difficult to compete with such export credit programs.

U.S. exporters and others also have expressed doubts about the effectiveness of international efforts to stem officially subsidized trade financing. While the OECD agreement appears to be reducing most direct government subsidies to trade financing, a number of countries have found a way around the agreement through market windows, or subsidized trade financing through ostensibly private financial institutions that are not subject to the agreement. The agreement also has a number of limitations, including the difficulty of defining commercially viable projects; and the presence of an “escape clause” that allows countries to proceed with a tied aid offer, despite objections by other participants, if that country claims that the project is in its national interest. Moreover, the agreement contains no explicit enforcement mechanism. The effectiveness of the

agreement also depends on the accuracy and openness of tied aid offers reported to the OECD, but the OECD does not confirm or verify the accuracy of the data provided by its members.¹⁶

Legislative Issues

Congress does not directly approve individual Ex-Im Bank transactions, but has a number of oversight responsibilities concerning the Bank and its activities. The Senate confirms Presidential appointments to the Bank's Board of Directors and Congress authorizes the Bank's legal charter for a period of time chosen by Congress. At times, Congress has required an annual reauthorization of the Bank's legal charter, and at other times has authorized the Bank for periods that have varied from two to five years. Congress also approves an annual appropriation for the Bank that sets an upper limit on the level of the Bank's financial activities. In addition, Congress can always amend or alter the Bank's governing legislation as it deems appropriate. Members of Congress and Congressional Committees can request that the Bank's President consult with them or testify before committees, with some qualifications.

President Bush signed P.L. 109-438, the Export-Import Bank Reauthorization Act of 2006, on December 20, 2006. This act reauthorizes the Bank through September 30, 2011. Among its provisions, the act created a Small Business Division within the Bank that is responsible for conducting research, tailoring products to small business needs, and increasing loans to small business concerns. The measure also extends the authority of the Advisory Committee on Sub-Saharan Africa through FY2011. In addition, the measure directs the Bank to submit annually to Congress a list of U.S. commercial sectors and products that could suffer "adverse economic impact" due to Ex-Im Bank support of projects abroad. The measure encourages the Bank to make greater use of its "tied aid" facility, but also provides a mechanism for the Secretary of the Treasury to oppose decisions made by the Bank's board of Directors to match an offer of tied aid by a foreign entity. The measure also requires that the Bank determine whether an entity receiving Ex-Im Bank support could produce goods other than those specified on its application in order to circumvent prohibitions on supporting projects abroad that could compete with U.S. firms.

Three bills were introduced in the 110th Congress which would affect the Export-Import Bank if they were passed. The New Apollo Energy Act of 2007 (H.R. 2809), introduced on June 21, 2007, would require Ex-Im Bank to limit its support for fossil fuel-related projects to less than 85%, and increase its support for renewable energy and energy efficiency projects to at least 15% of its available resources for supporting transactions. This bill would also create a commission and an Office of Renewable Energy Promotion within the Bank to help achieve these targets. Ex-Im Bank also would be required to report to Congress on its energy efficiency activities and its overall effect on greenhouse gasses. S. 876, introduced on March 14, 2007, would prohibit the Export-Import Bank from providing services to any individual who has invested \$1 million or more in any project that contributes to enhancing Cuba's ability to develop petroleum resources off its northern coast. A similar bill, H.R. 1679, was introduced in the House on July 26, 2007. H.R. 1886 was introduced on April 17, 2007, and it would prohibit the Export-Import Bank from providing its services to any activity connected with an oil or gas project.

¹⁶ *Competitor's Tied Aid Practices Affect U.S. Exports*. General Accounting Office. Report No. GGD-94-81. May 1994. p. 19-21.

Export-Import Bank Debate

One rationale for the Export-Import Bank is the acknowledged competition among nations' official export financing agencies. Some Ex-Im Bank supporters maintain that the Bank's programs are necessary for U.S. exporters to compete with foreign subsidized export financing and also to pressure foreign governments to eliminate concessionary financing.

However, among some critics of the Bank, there is doubt that a nation can improve its welfare or level of employment over the long run by subsidizing exports. Economists generally maintain that economic policies within individual countries are the prime factors which determine interest rates, capital flows, and exchange rates, and the overall level of a nation's exports. As a result, they hold that subsidizing export financing merely shifts production among sectors within the economy, but does not add to the overall level of economic activity, and subsidizes foreign consumption at the expense of the domestic economy. From this point of view, promoting exports through subsidized financing or through government-backed insurance and guarantees will not permanently raise the level of employment in the economy, but alters the composition of employment among the various sectors of the economy.

In response, some supporters highlight that the Bank is required by its charter to provide U.S. exporters with financing terms that are "fully competitive" with those offered by other trade financing institutions. These, and other supporters of the Bank, also stress that deficiencies in financial markets bias those markets against exports of high value, long-term assets.

Some opponents also argue that, by providing financing or insurance for exporters that the market seems unwilling, or unable, to provide, Ex-Im Bank's activities draw from the financial resources within the economy that would be available for other uses. Such "opportunity costs," while impossible to estimate, could be potentially significant. Another opposition argument is that subsidized export financing raises financing costs for all borrowers by drawing on financial resources that otherwise would be available for other uses, thereby possibly crowding out some borrowers from the financial markets. Critics assert that this crowding-out effect might nullify any positive impact subsidized export financing may have on the economy. For critics of the Ex-Im Bank, another argument is that federal government spending on export promotion programs cuts against the interest of taxpayers and is tantamount to "corporate welfare."

Supporters point out that the FY2008 Consolidated Appropriation Act (P.L. 110-161) made the Ex-Im Bank "self-sustaining" for appropriations purposes. While the Bank's Office of the Inspector General receives federal funding, the FY2008 appropriation authorized the Bank to use the fees collected from its clients to fund operations, that is, to support the Bank's loan loss reserves and administrative expenses. This results in "the final fiscal year appropriation from the General Fund estimated at \$0" for the Bank. In FY2008, the Bank collected \$122.8 million in offsetting collections which were used to pay the Bank's credit-related administrative expenses (\$78.9 million) and those credit program costs where the fees charged to clients were insufficient to cover expected losses (\$25.4 million).¹⁷

¹⁷ Export-Import Bank of the United States, *Annual Report 2008*, Washington, DC, 2008, p. 57.

Another point of contention is the risk to taxpayers imposed by the Bank's activities. Opponents argue that because the Bank's loans are backed by the full faith and credit of the U.S. government, taxpayers are potentially burdened if the Bank's projects fail. Supporters argue that the Bank's credit authorizations are required to have a reasonable assurance of repayment and that the Bank monitors credit and other risks in its portfolio. In addition, the Bank maintains reserves at the U.S. Treasury.¹⁸

The Global Financial Crisis and Demand for Ex-Im Bank Services

Beginning with the collapse of the U.S. housing market in October 2008, the international financial crisis has caused turmoil in the financial markets of both developed and developing countries. It also has been coupled with a global economic turndown. U.S. exporters have been affected by a contraction in the global demand for exports and a tightening of private sector credit and insurance.¹⁹ Given the far-reaching effects of the financial crisis, the Export-Import Bank may be affected. As of September 30, 2008, the Bank has noted an increase in requests for Ex-Im Bank support, but reports that its current portfolio has not experienced any significant negative effects stemming from the crisis.²⁰ However, many experts believe that the full reverberations of the crises have yet to be felt.²¹ Because the international financial crisis is a recent and ongoing development, its full impact on Ex-Im Bank is unknown. Nevertheless, there are several possible scenarios that may emerge.

One possibility is that there will be reduced demand for Ex-Im Bank's services by U.S. business businesses. The Bank largely is a demand-driven agency; U.S. businesses turn to the Bank when private sector lenders and insurers are unwilling or unable to provide financial services necessary for them to conduct business abroad. Given that the financial crisis has been coupled with a broader economic downturn, U.S. businesses ultimately may be less inclined or less able to export.

A second scenario is that certain factors will fuel increased demand for the Ex-Im Bank's services. The international financial crisis has spurred liquidity problems for the U.S. financial sector, leading to a contraction of credit and insurance available in private markets. For U.S. companies that continue to be interested in exporting, they increasingly may solicit the Bank's services. Consistent with this scenario, Ex-Im Bank officials currently project an uptick in customer demand for its financial products, including in overseas markets considered credit-worthy prior to the financial crisis.²²

¹⁸ Ibid, p. 53.

¹⁹ For a thorough background and analysis of the international financial crisis, see CRS Report RL34742, *The U.S. Financial Crisis: The Global Dimension with Implications for U.S. Policy*, coordinated by Dick K. Nanto.

²⁰ Export-Import Bank of the United States, *Annual Report 2008*, Washington, DC, 2008, p. 40.

²¹ CRS Report RL34742, *The U.S. Financial Crisis: The Global Dimension with Implications for U.S. Policy*, coordinated by Dick K. Nanto.

²² Meeting with Export-Import Bank officials, March 9, 2009.

The Bank also may witness increased demand for its services due to rising political instability in countries experiencing the fallout from the international financial crisis. According to recent testimony for the Senate Intelligence Committee, "The primary near-term security concern for the United States is the global economic crisis and its geopolitical implications."²³ Countries previously considered politically risky investments may now pose greater risks. Some experts speculate that there is an increased likelihood for radicalization and terrorist activities in developing countries.²⁴ Other countries considered relatively safe prior to the crises may be viewed as political risks now.²⁵ Consequently, private sector companies may be more reluctant to provide insurance for business activities in these regions and demand for Ex-Im Bank services may increase. Given the greater political risks of doing business in economically troubled areas, some raise concerns about the implications for the Bank's exposure to credit risk and insurance liability.²⁶

Another possibility is that international financial and economic crisis will have a net-neutral effect on the Bank's activities significantly. The factors contributing to a change in demand, such as lack of private sector credit and insurance, may be offset by a change in supply, such as project cancellations or postponements.

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²³ U.S. Congress, Senate Select Committee on Intelligence, *Annual Threat Assessment of the Intelligence Committee for the Senate Select Committee on Intelligence*, Dennis C. Blair, 111th Cong., 1st sess., February 12, 2009.

²⁴ "Terrorism and Political Risks in Asia - Still a Threat," *Asia Insurance Review*, December 1, 2008.

²⁵ Jelena Vukotic, "Political Unrest on the Rise in Economic Troubled Hotspots," *RGE Monitor*, February 3, 2009.

²⁶ Adam S. Posen, *Financial Hybrids Do Not Work*, Peterson Institute for International Economics, Op-ed in the *Börsen-Zeitung* for the series "Jenseits der Krise", August 7, 2008.