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0521811430 - The Market, the State, and the Export-Import Bank of the United States, 1934-2000

William H. Becker and William M. McClenahan

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THE MARKET, THE STATE, AND THE EXPORT-IMPORT BANK OF THE UNITED STATES, 1934-2000

This is the first history of the Export-Import Bank of the United States (Ex-Im) based on archival sources. As the government's export credit agency, Ex-Im promotes exports through loans, guarantees, and insurance and has had an unusual history as a public institution shaped by market principles. Congress mandated that the Bank only provide credit with a reasonable assurance of repayment. But the rules of the market and the needs of the state conflicted at times. Ex-Im has played a part in all the major events that marked the growing involvement of the United States in the international economy. In the last two decades, the Bank has carried on its congressionally mandated mission in an increasingly complicated environment brought on by changes in private capital markets; congressional constraints on its budgets; major financial crises in Latin America and Southeast Asia; fast-moving developments in communications and information technology; and the demands of nongovernmental organizations devoted to environmental protection.

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William M. McClenahan, Jr., is Lecturer in business law and public policy at the Robert H. Smith School of Business at the University of Maryland, College Park. His published works include co-authorship of *Voice of the Marketplace: A History of the National Petroleum Council* (2002). He is also an attorney and practiced for 12 years with the Interstate Commerce Commission between 1974 and 1986.

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PUBLISHED BY THE PRESS SYNDICATE OF THE UNIVERSITY OF CAMBRIDGE
The Pitt Building, Trumpington Street, Cambridge, United Kingdom

CAMBRIDGE UNIVERSITY PRESS

The Edinburgh Building, Cambridge CB2 2RU, UK

40 West 20th Street, New York, NY 10011-4211, USA

477 Williamstown Road, Port Melbourne, VIC 3207, Australia

Ruiz de Alarcón 13, 28014 Madrid, Spain

Dock House, The Waterfront, Cape Town 8001, South Africa

<http://www.cambridge.org>

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First published 2003

Printed in the United States of America

Typeface Sabon 10.25/14 pt. *System* L^AT_EX 2_ε [TB]

A catalog record for this book is available from the British Library.

Library of Congress Cataloging in Publication Data

Becker, William H.

The market, the state, and the Export-Import Bank of the United States, 1934-2000 /

William H. Becker, William M. McClenahan, Jr.

p. cm.

Includes bibliographical references and index.

ISBN 0-521-81143-0

1. Export-Import Bank of the United States. 2. Export credit – United States.

3. United States – Commercial policy. I. McClenahan, William M. II. Title.

HG3754.U5 B43 2002

332.1'54'0973-dc21

2002066521

ISBN 0 521 81143 0 hardback

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TO OUR WIVES

Ruth Anne Becker

Cheryl Bailey

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PREFACE AND ACKNOWLEDGMENTS

In 2000, the Export-Import Bank of the United States (Ex-Im) marked its sixty-fifth anniversary. Ex-Im is the United States' export credit agency (ECA). It is a federal entity dedicated to promoting American exports by providing loans, guarantees, and insurance, without competing with the private sector. Many other countries have ECAs, including all the world's major industrial exporting countries. Throughout its history, Ex-Im has served the interests of the American exporter community, while also attending to the public policy goals of the executive branch and Congress. For almost half of its recent history, Ex-Im has played a part on the world scene by contributing to the United States' efforts to promote freer trade – leveling the playing field by standardizing practices among ECAs – through negotiations at the Organization for Economic Cooperation and Development (OECD).

At the turn of the century, the Bank was confronting a series of changes in private international capital markets and in the practices of other ECAs. In the last two decades, Ex-Im conducted its business in the midst of major international financial crises in Latin America in the 1980s and Southeast Asia in the late 1990s. Like other private and public institutions, Ex-Im also had to face up to the opportunities and challenges of the revolution in information technology and the arrival of the Internet. In addition, as an institution operating on the world scene, Ex-Im had to pay heed to the demands of nongovernmental institutions devoted to environmental causes.

Anniversaries are often a time to take stock, to look backward to understand better the present and thus to plan for the future. The turn of a century, and a new millennium, added force to the desire within the

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Bank to make use of its anniversary for a reflective view of the institution as it planned on how to adjust to a fast-changing environment. As the anniversary approached, Dr. Rita M. Rodriguez, a bank director, suggested that an appropriate way to mark the institution's sixty-fifth year in 2000 would be to commission a scholarly history. The board of directors agreed and, to manage the project, established a history committee chaired by the Bank's then president and chairman, James A. Harmon. Other members of the committee were James C. Cruse, group vice president – policy; Eugene Ferguson, librarian; James K. Hess, chief financial officer; James A. Mahoney, vice president – engineering and environment; Carol Miller, personnel management specialist; John Niehuss, general counsel; and Dr. Rita M. Rodriguez, director.

The Bank, as a federal agency, publicly requested proposals and bids through a standard mandated process. The authors were the successful bidders and received a contract to write the history. Both of the authors are professional academic historians, associated with the Business History Group, Inc. (BHG). William H. Becker is Professor of History at the George Washington University, where he also teaches in the School of Business and Public Management. Professor McClenahan also holds a law degree and was professionally engaged as a government attorney for twelve years before successfully completing a Ph.D. program in history. Our scholarly interests have focused on the history of business, of business–government relations, and of the United States' role in the international economy.

In writing this book, we had full access to the Bank's records and to its personnel. Ex-Im's library and archives included numerous files of use to historians, as well as copies of relevant secondary material and government documents. The Bank's Policy Office files also contained valuable historical material. We relied on Ex-Im's records in the National Archives at College Park, Maryland, and information about the Bank contained in the archival collections of the Departments of State, Treasury, and Commerce, along with several other relevant collections. As the footnotes indicate, we made extensive use of oral history interviews with numerous current and previous officials of the Bank, as well as many individuals who had dealings with Ex-Im or were observers of its operations. Transcripts of all of our interviews are now deposited in the Bank's archives for the use of other scholars.

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From the outset of this project, both the authors and the Bank were determined to produce a scholarly work published by a university press. The authors and Ex-Im understood from the beginning that the manuscript would undergo the scrutiny of other professional scholars before publication. Toward that end, we proposed that the Bank have drafts of chapters reviewed by a respected scholar who could make comments and suggestions as the work was being written. The Bank agreed, and draft chapters were reviewed by Richard Sylla, Henry Kaufman Professor of the History of Financial Institutions and Markets, and Professor of Economics, New York University. Throughout the process of writing the book, Professor Sylla proved enormously helpful to us and to the committee in his suggestions about the manuscript. We are grateful for his careful reading of chapters over the many months that we have worked on the book. Of course, he bears no responsibility for any errors of fact or interpretation that might remain in the work, despite his good efforts.

Members of the Bank's history committee also read and provided suggestions about draft chapters and the final version of the manuscript. We also appreciate the many opportunities that we had to discuss our work with members of the committee. In particular, we are grateful for the time given to the careful reading of our work, and to us personally for discussion, by James A. Harmon, chairman and president of the Bank (1997–2001); Dr. Rita M. Rodriguez, director (1982–1999); James C. Cruse, group vice president – policy; and James K. Hess, chief financial officer. In addition, Mr. Hess was the history committee's secretary and our liaison with the Bank, providing us with office space and helping in arranging oral history interviews. His staff made an invaluable contribution to our work by compiling the Bank's historical financial data found in the appendix. We would also like to acknowledge the assistance provided throughout the project by the Bank's librarian and archivist, Eugene Ferguson, and his staff. Despite all the assistance that we have had in writing this book, we take full responsibility for any errors.

One final word about usage is appropriate. Over the course of its history, the Export-Import Bank of the United States has been known by slightly different names. The major changes in its name are included as part of the history that follows. In addition, the Bank was known by various abbreviations, including Eximbank, EXIM, EIB, and Ex-Im

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Bank. Throughout the text that follows, for reasons of consistency, we use Ex-Im or Ex-Im Bank, except in direct quotations in which another abbreviation was commonly in use at the time.

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