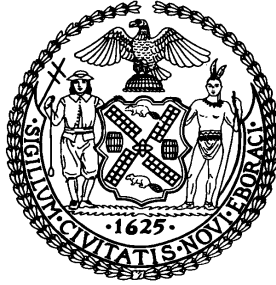


Committee Staff:
Alex Paulenoff, *Counsel*
Rachel Harris, *Policy Analyst*
Aliya Ali, *Finance Analyst*



THE COUNCIL OF THE CITY OF NEW YORK

BRIEFING PAPER OF THE INFRASTRUCTURE DIVISION

Matt Gewolb, Legislative Director

COMMITTEE ON ECONOMIC DEVELOPMENT

Hon. Daniel R. Garodnick, Chairperson

April 21, 2015

**OVERSIGHT: THE ECONOMIC IMPACT OF THE FEDERAL EXPORT-IMPORT BANK
IN NEW YORK CITY**

I. INTRODUCTION

On April 21, 2015, the Committee on Economic Development, chaired by Council Member Daniel Garodnick, will hold an oversight hearing entitled, “The Economic Impact of the Federal Export-Import Bank in New York City.”

The Federal Export-Import Bank (“Ex-Im Bank”) finances the export of American goods and services to international buyers. Since 2009, the Ex-Im Bank has supported 1.3 million private sector jobs. Studies show that for every \$1 billion of new exports, an additional 4,926 jobs are created. Since 1945 the Government Corporation Control Act requires the Ex-Im Bank to be reauthorized periodically. The last reauthorization of the Ex-Im Bank occurred in 2012 and Congress at that time recognized its support of \$40 billion in export sales and 290,000 jobs at over 3,600 companies in the United States. From 2007-2014 the Ex-Im Bank provided over \$1.1 billion to 83 New York City businesses, including over \$48 million in support of Minority and Women Owned Businesses (M/WBEs) in the City – resulting in \$131 million in sales. In 2014 legislation was introduced to reauthorize the Ex-Im Bank again but it has not yet come to a vote.

The purpose of this hearing will be to further explore the impact the Ex-Im Bank has on the City’s economy.

II. BACKGROUND

History of the Federal Export-Import Bank

In 1934 President Franklin D. Roosevelt established the Export-Import Bank by Executive Order during the Great Depression in an effort to help to finance and facilitate exports and imports and the exchange of goods between the United States and other countries at a time

of national economic crisis.¹ Since that time the “Ex-Im” Bank has continued to operate under its original outlined goals, continuing to support manufacturers and exporters in times of economic crisis when commercial credit limitations arise.²

Today the primary goal of the Ex-Im Bank continues to be assisting in financing the export of American goods and services to international markets. Through the Ex-Im Bank’s support, companies based in the United States are able to make sales that help to keep and create domestic jobs and contribute to a stronger economy. This federally operated bank does not compete with private sector lenders, but instead helps to fill gaps in trade financing by assuming risks and credit that the private sector is unable or unwilling to accept. When the private sector is unwilling or unable to finance exports, the Ex-Im Bank will step in to finance gaps through its loan, guarantee, and insurance programs.³ The Ex-Im Bank also partners with private sector lenders to assist in transactions.

In FY 2014, 98% of Ex-Im Bank transactions involved commercial financial institutions.⁴ As of September 30, 2014 the Ex-Im Bank’s default rate was 0.175%, and the Ex-Im Bank has reserves that are seventeen times greater than its current default rate to cover potential losses.⁵ The Ex-Im Bank uses current commercial interest reference rates (“CIRRs”) for its loans. CIRRs are the official lending rates of Export Agencies.⁶ This rate is used for all transactions except for specific types of aircraft transactions. The CIRRs for March and April 2015 range between 2.02% and 3.34%, which is based on repayment terms and distinguishes between new

¹ See EXPORT-IMPORT BANK OF THE UNITED STATES, WHO WE ARE, <http://www.exim.gov/about/howeare> (last visited Apr. 20, 2015).

² See *id.*

³ See *id.*

⁴ See EXPORT-IMPORT BANK OF THE UNITED STATES, THE FACTS ABOUT EX-IM BANK, <http://www.exim.gov/newsandevents/the-facts-about-ex-im-bank.cfm> (last visited Apr. 20, 2015).

⁵ See *id.*

⁶ See EXPORT-IMPORT BANK OF THE UNITED STATES, ABOUT CIRR RATES, <http://www.exim.gov/tools/commercialinterestreferencerates/about-cirr-rates.cfm> (last visited Apr. 20, 2015).

nuclear/hydro-power contracts and all other contracts.⁷ Over the last twenty years the Ex-Im Bank has generated almost \$7 billion more than the cost of its operations; this money is put toward helping to reduce the federal deficit.⁸ During its 80 years of existence the Ex-Im Bank has supported more than \$600 billion worth of United States exports, mainly to developing markets around the world.⁹

The Ex-Im Bank currently operates under authority granted by the United States Congress. Pursuant to the Government Corporation Control Act of 1945, the Ex-Im Bank is required to be periodically reauthorized. Since 1945, Congress has reauthorized the Ex-Im Bank sixteen times.¹⁰ The most recent reauthorization of the Ex-Im Bank was in 2012 and the Ex-Im Bank has since implemented more than a dozen reforms that help to streamline operations, manage risk, improve transparency and improve the customer experience for small business exporters.¹¹ Congressional representatives introduced legislation to reauthorize the Ex-Im Bank in 2014 but it has not gone to a vote yet in the Senate or the House of Representatives.¹² The FY2015 continuing resolutions, extends the Ex-Im Bank's general statutory charter through June 30, 2015.¹³

⁷ See EXPORT-IMPORT BANK OF THE UNITED STATES, COMMERCIAL INTEREST REFERENCE RATES, <http://www.exim.gov/tools/commercialinterestreferencerates/index.cfm> (last visited Apr. 20, 2015).

⁸ See EXPORT-IMPORT BANK OF THE UNITED STATES, THE FACTS ABOUT EX-IM BANK, <http://www.exim.gov/newsandevents/the-facts-about-ex-im-bank.cfm> (last visited Apr. 20, 2015).

⁹ See EXPORT-IMPORT BANK OF THE UNITED STATES, WHO WE ARE, <http://www.exim.gov/about/whoweare> (last visited Apr. 20, 2015).

¹⁰ See EXPORT-IMPORT BANK OF THE UNITED STATES, OFFICE OF CONGRESSIONAL AND INTERGOVERNMENTAL AFFAIRS, <http://www.exim.gov/about/whoweare/Office-of-Congressional-and-Intergovernmental-Affairs.cfm> (last visited Apr. 20, 2015).

¹¹ See EXPORT-IMPORT BANK OF THE UNITED STATES, EXPORT-IMPORT BANK REAUTHORIZATION ACT OF 2012: EVERY REFORM COMPLETED (2015) *available at* http://www.exim.gov/about/whoweare/upload/Ex-Im_Bank_reauth_act_2012_reforms_03MAR15.pdf.

¹² See S.2709, 113th Cong. (2014).

¹³ See Shayerah Ilias Akhtar et al, CONGRESSIONAL RESEARCH SERVICE, EXPORT-IMPORT BANK REAUTHORIZATION (Nov. 26, 2014) *available at* <http://fas.org/sgp/crs/misc/R43671.pdf>.

Export-Import Bank Re-Authorization

While the re-authorization of the Export-Import Bank has received bi-partisan Congressional support in the past, some Congressional leaders opposed the Ex-Im Bank in 2014 and prevented the re-authorization vote. The critics of the Ex-Im Bank state that it keeps out private sector activity, picks favorites through its support, and poses a risk to taxpayers.

In a radio advertisement, opponents claim that the Ex-Im Bank “sends billions of taxpayer dollars to foreign corporations that compete unfairly with U.S. jobs” and to governments that violate human rights and do not support democracy.¹⁴ In 2014 the Ex-Im Bank did authorize billions of dollars in transactions to countries that are perceived as undemocratic, such as China, Russia and Saudi Arabia to buy American goods, but it also authorized billions to strong democracies like Australia, the Netherlands, India and South Korea.¹⁵

Commercial airlines in the United States are some of the most outspoken critics of the Ex-Im Bank.¹⁶ In particular, Delta Air Lines (“Delta”) has repeatedly claimed that the Ex-Im Bank is helping international competitors at the expense of its business. The Ex-Im Bank provides loan guarantees to overseas airlines to purchase Boeing jets, currently the largest beneficiary of the Ex-Im Bank. Since Boeing is the largest beneficiary, many opponents such as Delta argue that the Ex-Im Bank is a vehicle for large-scale “corporate welfare” and “crony capitalism.”¹⁷

¹⁴ See Freedom Partners, *Ex-Im Exposed Radio Spot*, YOUTUBE (Apr. 1, 2015) <https://www.youtube.com/watch?v=82VEQKxI0aA&feature=youtu.be>.

¹⁵ See Michelle Ye Hee Lee, *Does the Export-Import Bank 'prop' foreign corporations to compete unfairly with the U.S.?* THE WASHINGTON POST (Apr. 10, 2015) <http://www.washingtonpost.com/blogs/fact-checker/wp/2015/04/10/does-the-export-import-bank-prop-foreign-corporations-to-compete-unfairly-with-the-u-s>.

¹⁶ See *id.*

¹⁷ See Jonathan Weisman & Eric Lipton, *Boeing and Delta Spend Millions in Fight Over Export-Import Bank's Existence*, N.Y. TIMES (Apr. 6, 2015) <http://www.nytimes.com/2015/04/07/business/boeing-delta-air-lines-export-import-bank.html>.

In response, Boeing officials contend that in order for foreign airlines to purchase their jets that cost hundreds of millions of dollars, a federal government guarantee is necessary to secure private loans for purchases of that size.¹⁸ Boeing also argues that the Ex-Im Bank is critical to allow Boeing to compete against export credit agencies in France and Germany that offer guarantees for purchases of jets from Airbus, Boeing's only major competitor in the large airplane market.¹⁹ Delta claims that its airline rivals are using the Ex-Im Bank guarantees to lower their borrowing costs to cut ticket prices on international routes that compete with Delta or buy more new jets. This has fueled Delta's lobbying against the Ex-Im Bank, an effort that has cost Delta \$10 million since 2012.²⁰

Lobbyist groups such as Heritage Action and Club for Growth have also petitioned lawmakers against the reauthorization of the Ex-Im Bank.²¹ The Heritage Foundation states that the Ex-Im Bank supports foreign firms that then compete with domestic companies.²² Citing the Ex-Im Bank's \$694 million in financing for equipment to develop an open-pit iron ore mine in Australia, the Heritage Foundation believes such subsidies are putting thousands of jobs in the United States at risk.²³ The Heritage Foundation contends that provisions in the Ex-Im Bank's charter designed to prohibit financing that competes with United States production are routinely ignored because the Ex-Im Bank's board of directors is allowed to override these constraints if there is a net benefit to the United States economy.²⁴ At a hearing on April 15, 2015 on Ex-Im Bank reforms, lawmakers posed questions to the Ex-Im Bank's president regarding proposed

¹⁸ *See id.*

¹⁹ *See id.*

²⁰ *See id.*

²¹ *See* Kevin Cirilli, *Club for Growth, Heritage Raise Pressure on McCarthy to Oppose Ex-Im*, THE HILL (Sep. 8, 2014) <http://thehill.com/policy/finance/216920-club-for-growth-heritage-raise-pressure-on-mccarthy-to-oppose-ex-im>.

²² *See* Diane Katz, *Export-Import Bank: Cronyism Threatens American Jobs* THE HERITAGE FOUNDATION (Jun. 2, 2014) <http://www.heritage.org/research/reports/2014/06/exportimport-bank-cronyism-threatens-american-jobs>.

²³ *See id.*

²⁴ *See id.*

reforms which lawmakers argue the Ex-Im Bank has not yet achieved, and about corruption issues in the Ex-Im Bank given the recent bribery charges of a former Ex-Im Bank loan officer.²⁵

Despite these claims, bi-partisan supporters of the Ex-Im Bank emphasize need for the Ex-Im Bank's continued existence, in light of the increased constraints being placed on private banks.²⁶ Closing the Ex-Im Bank could undermine the ability of United States exporters to compete with and possibly lose business to foreign competitors whose governments continue to provide financial support.²⁷ Some Republican legislators have criticized their colleagues who oppose the Ex-Im Bank's reauthorization, arguing that eliminating the Ex-Im Bank would give China and Europe an economic advantage over the United States.²⁸

Small business leaders whose companies receive 85% of the Ex-Im Bank's transactions²⁹ have been on Capitol Hill to lobby Republican leaders opposed to reauthorization and to convince them to reauthorize the Ex-Im Bank before the June 30, 2015 deadline.³⁰ About 650 small business leaders have joined with the United States Chamber of Commerce, the National Association of Manufacturers, the Aerospace Industries Association and 46 other business associations to form the Exporters for Ex-Im Coalition.³¹ This coalition set up 400 meetings with

²⁵ See Kevin Cirilli, *GOP Grills Export-Import Bank President at Hearing*, THE HILL (Apr. 15, 2015) <http://thehill.com/policy/finance/238966-gop-grills-export-import-bank-president-at-hearing>.

²⁶ See David Ruth & Jeff Falk, *Ex-Im Bank Needed Now More Than Ever, Rice University Expert Says*, NEWSROOM AMERICA (Apr. 15, 2015) <http://www.newsroomamerica.com/story/487237.html>.

²⁷ See Elvina Nawaguna, *Republican backer of U.S. Export-Import bank: Renewal to Beat Deadline*, REUTERS (Apr. 15, 2015) available at <http://www.businessinsider.com/r-republican-backer-of-us-export-import-bank-renewal-to-beat-deadline-2015-4>.

²⁸ See Kathleen Ronayne, *Graham: GOP Opposition to Export-Import Bank Is Misguided*, ABC NEWS (Apr. 9, 2015) available at <http://abcnews.go.com/Politics/wireStory/graham-gop-opposition-export-import-bank-misguided-30207945>.

²⁹ See EXPORT-IMPORT BANK OF THE UNITED STATES, WHO WE ARE, <http://www.exim.gov/about/whoweare> (last visited Apr. 20, 2015).

³⁰ See Jonathan Weisman, *Big Point of Dissent in Tea Party: Battle Lines Drawn Over the Fate of the Export-Import Bank*, N.Y. TIMES (Mar. 9, 2015) <http://www.nytimes.com/2015/03/10/business/smallbusiness/small-business-leaders-wage-counteroffensive-to-save-export-import-bank.html>.

³¹ See EX-IM COALITION, ABOUT THE EX-IM COALITION, <http://exportersforexim.org/about> (last visited Apr. 20, 2015).

representatives, senators, staff members and committee aides in February 2015 to lobby for the Ex-Im Bank's reauthorization.³²

III. NEW YORK'S EXPORT-IMPORT ECONOMY

New York City's Export-Import Support

Between 2007 and 2015, the United States Export-Import Bank supported 347 businesses in New York State, roughly one third of which are in New York City.³³ Since 2007, New York State has exported about \$11 billion worth of goods and services to foreign purchasers.³⁴ Of that \$11 billion, the United States Export-Import Bank has insured or financed \$7 billion of New York State's exports and has supported \$4 billion in insured shipments, guaranteed credit or disbursed loan amounts.³⁵ At the time of writing there are 71 exporters in New York State in 2015, including 18 in New York City.

According to a September 2014 report by New York City Comptroller Scott Stringer, the Ex-Im Bank is essential for supporting businesses in New York City that cannot find assistance in private markets.³⁶ Since 2007, the Ex-Im Bank has provided over \$1.1 billion of support to New York City business resulting in over \$4.64 billion in export sales.³⁷ Of the over 100 businesses receiving support from the Ex-Im Bank between 2007 and 2014 in NYC, Brooklyn's

³²See Jonathan Weisman, *Big Point of Dissent in Tea Party: Battle Lines Drawn Over the Fate of the Export-Import Bank*, N.Y. TIMES (Mar.9, 2015) <http://www.nytimes.com/2015/03/10/business/smallbusiness/small-business-leaders-wage-counteroffensive-to-save-export-import-bank.html>.

³³ See EXPORT-IMPORT BANK OF THE UNITED STATES, EXPORT DATA – NEW YORK http://www.exim.gov/customcf/congressionalmap/state_map.cfm?state=NY (last visited Apr. 20, 2015).

³⁴ See *id.*

³⁵ See *id.*

³⁶ See OFFICE OF THE COMPTROLLER, BEYOND THE BOROUGH: THE EXPORT-IMPORT BANK'S EFFECT ON NEW YORK CITY'S ECONOMY (2014) available at http://comptroller.nyc.gov/wp-content/uploads/documents/Beyond_the_Boroughs.pdf.

³⁷ See EXPORT DATA – NEW YORK *supra* note 33.

“Metropolitan Paper Recycling,” classified as a small business, received the highest return on its investment, with a 2,741% return.³⁸

Small businesses in New York City have received over 80% of the total disbursements from the Ex-Im Bank, yielding 90% of total sales supported.³⁹ Women and minority-owned businesses received \$48 million in disbursements, supporting about \$131 million in sales.⁴⁰ While 94% of the Ex-Im Bank’s supporting funds have gone to companies in Manhattan, businesses in the Bronx, Brooklyn, Queens and Staten Island have received substantial support as well.⁴¹ Comptroller Stringer emphasizes the necessity of the Ex-Im Bank for New York City’s economy and strongly encourages congressional reauthorization of the Ex-Im Bank.⁴²

New York City also has a United States Export Assistance Center, which is supported by the Department of Commerce’s United States Commercial Service.⁴³ The United States Commercial Service helps companies export goods and services find the best markets for their products. The Commercial Service provides trade counseling, business matchmaking, and market intelligence through its staff specialized in trade and commercial affairs and also by connecting businesses to the various federal services including the United States Small Business Administration and the Federal Export-Import Bank.⁴⁴

³⁸ *See id.*

³⁹ *See* BEYOND THE BOROUGHES, *supra* note 36.

⁴⁰ *See id.*

⁴¹ *See id.*

⁴² *See id.*

⁴³ *See* EXPORT.GOV, NEW YORK CITY EXPORT ASSISTANCE CENTER

<http://www.export.gov/newyork/newyorkcityexportassistancecenter/contactus/index.asp> (last visited Apr. 20, 2015).

⁴⁴ *See id.*

The First State Export-Import Bank in the Country

On October 7, 2014, New York State's Governor Andrew Cuomo announced plans to form the United States' first state version of the federal Export-Import Bank to help businesses in the state expand overseas.⁴⁵ Partnering with the United States Ex-Im Bank, New York State would connect with small business to export financing with short-term loans of up to \$500,000.⁴⁶ The Governor plans to finance the state bank with an initial \$35 million.⁴⁷ The governor sees this as an opportunity to bring companies to New York State and create more jobs in the state, citing competition from other states around the country.⁴⁸

On October 29, 2014, Governor Cuomo launched the Global New York Development Fund ("Global NY"), which claims to be the first state export-import bank.⁴⁹ Global NY describes itself as a place "that offers one stop shopping to both foreign businesses looking to invest in New York and to local businesses who want to export globally."⁵⁰ A \$25 million lending program developed by the Empire State Development Fund will work with 20 private sector lenders to leverage more than \$50 million of additional funding.⁵¹ These loans will be made available for small and medium-sized businesses that are unable to secure private sector finance needed to enter new markets.⁵² A \$10 million grant fund will also provide small

⁴⁵ See Megan Davies, *New York to Form First U.S. State Ex-Im Bank: Cuomo*, REUTERS (Oct 7, 2014) <http://www.reuters.com/article/2014/10/08/us-usa-new-york-exports-idUSKCN0HX00320141008>.

⁴⁶ See *id.*

⁴⁷ See *id.*

⁴⁸ See Will Bredderman, *Cuomo Proposes New York State Create an Export-Import Bank*, OBSERVER (Oct. 7, 2014) <http://observer.com/2014/10/cuomo-proposes-new-york-state-create-an-export-import-bank>.

⁴⁹ See Justin Fisk, *New York Creates First State Export-Import Bank*, COUNCIL OF STATE GOVERNMENTS (Oct. 29, 2014) <http://knowledgecenter.csg.org/kc/content/new-york-creates-first-state-export-import-bank>.

⁵⁰ See GLOBAL NY, WHAT IS GLOBAL NY? <http://www.global.ny.gov> (last visited Apr. 20, 2015).

⁵¹ See Fisk, *supra* note 49.

⁵² See *id.*

businesses up to \$25,000 to develop export marketing plans, product adaptation, market certification and website translation.⁵³

New York also has a District Export Council (“DEC”), which is a non-profit organization that brings together experienced persons in international business to provide assistance to New York companies interested in expanding into international markets.⁵⁴ The DEC connects businesses to the Ex-Im Bank and its members also advocate for the Ex-Im Bank’s reauthorization.⁵⁵

IV. ONGOING ISSUES FOR THE EXPORT-IMPORT BANK

Supporting Small Business

According to the Ex-Im Bank’s website the majority of businesses in New York State that have benefitted from the Ex-Im Bank are considered “small businesses” (about 200). However, the Ex-Im Bank defines “small businesses” using the United States Small Business Administration’s definition, which is a business that has no more than 500 employees for most manufacturing and mining industries and no more than \$7 million in average annual receipts for most nonmanufacturing industries.⁵⁶ By this definition of small businesses, out of the over 100 businesses that have been supported by the federal Ex-Im Bank since 2007 in New York City, over 80% of those have been small businesses.⁵⁷ However, New York State defines a “small business” as a business that is “resident in [New York] state, independently owned and operated,

⁵³ *See id.*

⁵⁴ *See* NEW YORK DISTRICT EXPORT COUNCIL, ABOUT THE NEW YORK DISTRICT EXPORT COUNCIL, <http://www.newyorkdec.org/about.html> (last visited Apr. 20, 2015).

⁵⁵ *See* Press Release, New York District Export Council, Maloney, New York Small Businesses: Local Jobs Will Be Lost if Congress lets Export Import Bank Charter to Expire (Jul. 19, 2014) *available at* <http://www.newyorkdec.org/exim-bank-reauthorization.html>.

⁵⁶ *See* Caron Beesley, *What is a Small Business? What You Need to Know and Why*, U.S. SMALL BUSINESS ADMINISTRATION (Apr. 30, 2012) <https://www.sba.gov/blogs/what-small-business-what-you-need-know-and-why>

⁵⁷ *See* BEYOND THE BOROUGH, *supra* note 36.

not dominant in its field and employs one hundred or less persons.”⁵⁸ It is unclear how many businesses in the New York definition of small businesses fall into that category.

While the Ex-Im Bank states that majority of its transactions support small businesses, the largest beneficiary of the Ex-Im Bank is the Boeing Company (“Boeing”), one of the largest businesses in the world. As of December 2014, Boeing had roughly 165,000 employees in the United States supporting 1.5 million supplier-related jobs across the country and generating about \$87 billion in sales.⁵⁹

In FY2013 the Ex-Im Bank’s top 5 beneficiaries were large corporations including Boeing (\$8.3 billion in assistance), General Electric (\$2.6 billion in assistance), Bechtel Power (\$1.8 billion in assistance), Applied Materials (\$1.5 billion in assistance) and Caterpillar (\$1.3 billion in assistance).⁶⁰ While the Ex-Im Bank does support many transactions for small businesses, it is also highly supportive of large corporations that have billions of dollars in revenue and thousands of customers all over the world; this has contributed to political opposition to the Ex-Im Bank and critics’ accusations of so-called “corporate welfare.”⁶¹

Reforms

In September 2012, the Ex-Im Bank’s inspector general issued an evaluation report outlining a number of issues regarding risk and loss reserve allocation policies.⁶² These critiques

⁵⁸ N.Y. ECON. DEV. § 131.

⁵⁹ See THE BOEING COMPANY, BOEING IN BRIEF, <http://www.boeing.com/company/general-info/index.page#/governance> (last visited Apr. 20, 2015).

⁶⁰ See Jonathan Weisman et al, *Air Skirmish in War Over Ex-Im Bank: Boeing and Delta Spending Millions in a Trade Clash*, N.Y. TIMES (Apr. 6, 2015) <http://www.nytimes.com/2015/04/07/business/boeing-delta-air-lines-export-import-bank.html>.

⁶¹ See Diane Katz, *Export–Import Bank: Cronyism Threatens American Jobs* THE HERITAGE FOUNDATION (Jun. 2, 2014) <http://www.heritage.org/research/reports/2014/06/exportimport-bank-cronyism-threatens-american-jobs>.

⁶² See EXPORT-IMPORT BANK OF THE UNITED STATES, REPORT ON PORTFOLIO RISK AND LOSS RESERVE ALLOCATION POLICIES (2012) *available at* <http://www.exim.gov/oig/upload/Final-20Report-20Complete-20Portfolio-20Risk-20120928-1.pdf>.

included a lack of a systematic approach for its portfolio risk; limits on formal policies and procedures for its forecasting model; little consistency in assessing potential exposures under economic stress; poor communication of risk in new transactions; and how the governing structure of the Ex-Im Bank can better conform to the Ex-Im Bank's scale and growth potential.⁶³ The inspector general made seven recommendations to help in resolving these issues.⁶⁴ Reforms that the Ex-Im Bank needed to achieve also were included in the 2012 Reauthorization Act.

In September 2012, the Ex-Im Bank's inspector general issued an evaluation report outlining a number of issues regarding risk and loss reserve allocation policies.⁶⁵ These critiques included a lack of a systematic approach for its portfolio risk; limits on formal policies and procedures for its forecasting model; little consistency in assessing potential exposures under economic stress; poor communication of risk in new transactions; and how the governing structure of the bank can better conform to the Bank's scale and growth potential. The inspector general made seven recommendations to help in resolving these issues.⁶⁶ Reforms that the Bank needed to achieve also were included in the 2012 Reauthorization Act.

In March of 2015, the Ex-Im Bank issued a document stating that all of the reforms from the 2012 Act had been completed and implemented.⁶⁷ These reforms include:

- Improvement and clarification of due diligence standards for lender partners
- Non-subordination requirement

⁶³ See Jonathan House & Damian Paletta, *Export-Import Bank Chairman Defends Anti-Fraud Investigations*, THE WALL STREET JOURNAL (Jul. 29, 2014) <http://blogs.wsj.com/law/2014/07/29/export-import-bank-chairman-defends-anti-fraud-investigation>.

⁶⁴ See *id*

⁶⁵ See REPORT ON PORTFOLIO RISK AND LOSS RESERVE ALLOCATION POLICIES *supra* note 62.

⁶⁶ See *id*; see also House & Paletta, *supra* note 63.

⁶⁷ See EXPORT-IMPORT BANK OF THE UNITED STATES, EXPORT-IMPORT BANK REAUTHORIZATION ACT OF 2012: EVERY REFORM COMPLETED (2015) available at http://www.exim.gov/about/whowere/upload/Ex-Im_Bank_reauth_act_2012_reforms_03MAR15.pdf.

- Categorization of purpose of loans and long-term guarantees in the annual report
- Negotiations to end export credit financing
- Publication of guidelines for economic impact analyses and documentation of the analyses
- Report on implementation of recommendations of the government accountability office
- Examination of bank support for small business
- Review and report on domestic content policy
- Improvement of method for calculating the effects of bank financing on job creation and maintenance in the U.S.
- Periodic audits of bank transactions
- Prohibitions on financing for certain persons involved in sanctionable activities with respect to Iran
- Modifications related to the advisory committee (includes textile industry representative to ensure the advisement on how to increase support for the U.S. textile industry)
- Financing for goods manufactured in the U.S. used in global textile and apparel supply.

Such reforms have increased transparency, made oversight more systematic and, the Bank stated, led to investigations and the recent departure and conviction of former employees suspected of fraud, improper behavior and bribery.⁶⁸ On March 20, 2015, two U.S. Senators introduced a bi-partisan bill, the *Export-Import Bank Reform and Reauthorization Act of 2015*, which would reauthorize the Bank's charter to September 30, 2019, and would minimize the risk to taxpayers by requiring a regular audit of the Bank's risk management practices and

⁶⁸ See Damian Paletta, *Justice Department Charges Former Export-Import Bank Official with Bribery*, THE WALL STREET JOURNAL (Apr. 14, 2015) <http://www.wsj.com/articles/justice-department-charges-former-export-import-bank-official-with-bribery-1429050539>.

procedures.⁶⁹ Recognizing that not reauthorizing the Bank would impact over 200,000 U.S. jobs, the bi-partisan Senators co-sponsoring the bill are in favor of continuing Bank activities while ensuring that the Bank makes some systemic reforms to lessen the risk for U.S. taxpayers.⁷⁰ However, despite the potential job loss and loss of competitiveness of U.S. businesses with foreign businesses that would result from the Ex-Im Bank's sunset, some members of Congress still contend that no amount of reforms will help the Ex-Im Bank at this point and that the Bank's mandate should expire.⁷¹

V. CONCLUSION

This hearing will further explore how the United States Export-Import Bank interacts with businesses in New York City and creates jobs for New Yorkers. The hearing will discuss potential future scenarios for the Export-Import Bank in the City and hear from businesses and other stakeholders relating to the Congressional reauthorization of the United States Ex-Im Bank.

⁶⁹ See Press Release, Joe Manchin, Manchin Introduces Bipartisan Export-Import bank Reform and Reauthorization (Mar. 20, 2015) available at <http://www.manchin.senate.gov/public/index.cfm/press-releases?ID=d046ab05-504a-4979-b322-4cc2af7209d2>.

⁷⁰ See *id.*

⁷¹ See Nancy Pfotenbauer, *Don't Bank on Reform*, U.S. NEWS (Jul. 10, 2014) <http://www.usnews.com/opinion/blogs/nancy-pfotenbauer/2014/07/10/no-reform-bill-will-fix-the-export-import-bank>.