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HEARINGS

BEFORE THE

COMMITTEE ON

BANKING, HOUSING, AND URBAN AFFAIRS

UNITED STATES SENATE

NINETY-FIFTH CONGRESS

SECOND SESSION

ON

THE NOMINATION OF

HENRY K. ALLEN, TO BE FIRST VICE PRESIDENT AND VICE
CHAIRMAN OF THE BOARD OF THE EXPORT-IMPORT BANK
OF THE UNITED STATES

MARCH 14 AND 15, 1978

Printed for the use of the
Committee on Banking, Housing, and Urban Affairs



U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1978

24-888

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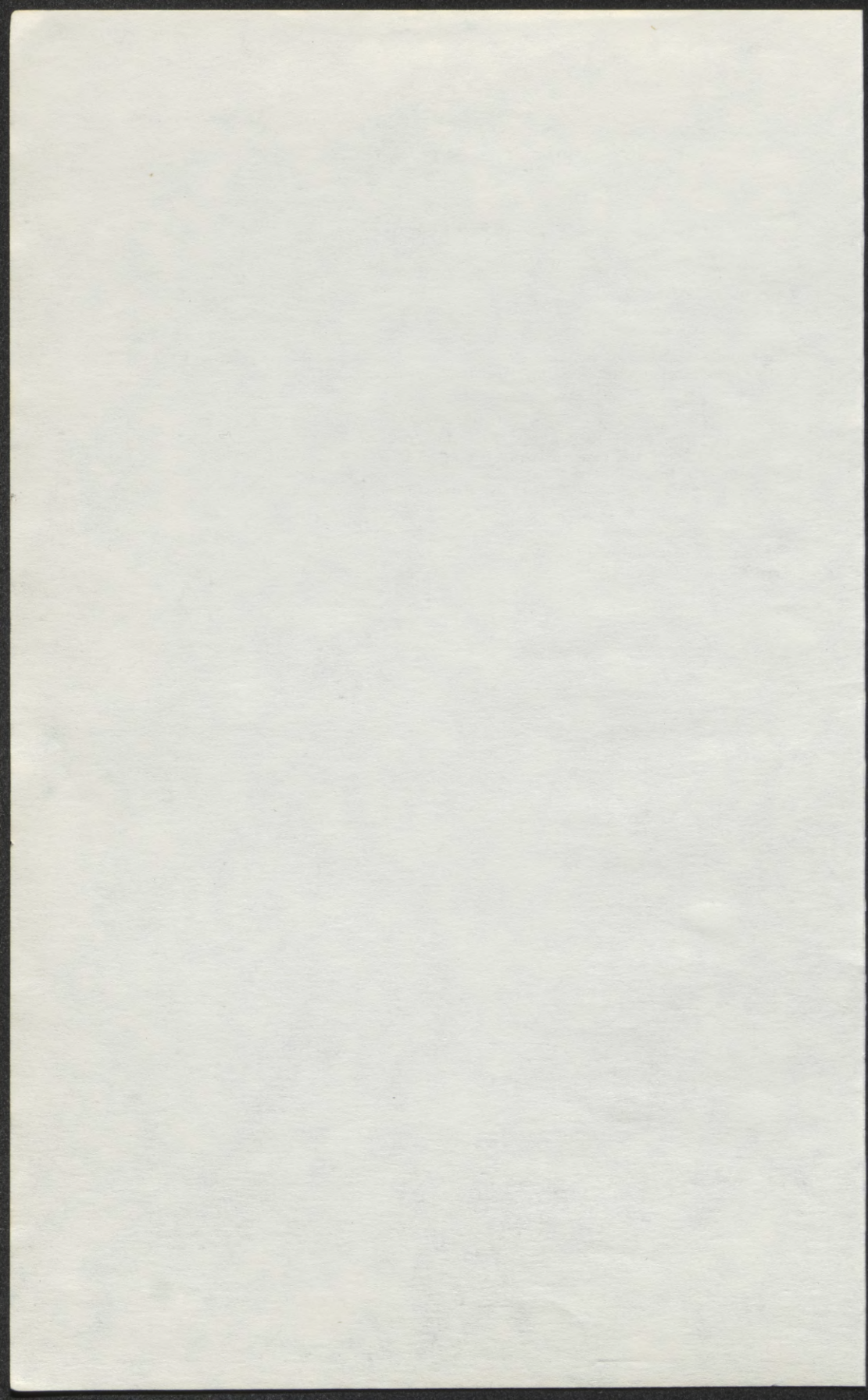
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NOMINATION OF HENRY K. ALLEN

TUESDAY, MARCH 14, 1978

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, D.C.

The committee met at 9 a.m. in room 5302, Dirksen Senate Office Building, Senator William Proxmire, chairman of the committee, presiding.

Present: Senators Proxmire, Riegle, Tower, and Heinz.

OPENING STATEMENT OF SENATOR PROXMIRE

The CHAIRMAN. The committee will come to order. This morning the committee meets early—and I think some other Senators may be able to come in soon—for the purpose of considering the nomination of Mr. H. K. Allen, to be the First Vice President and Vice Chairman of the Board of the Export-Import Bank of the United States.

I am delighted to yield to the distinguished Senator from Texas, Senator Tower, to present the nominee.

OPENING STATEMENT OF SENATOR TOWER

Senator TOWER. Thank you, Mr. Chairman. It is a great pleasure for me today to introduce H. K. Allen, who has been nominated to be the First Vice President and Vice Chairman of the Board of the Export-Import Bank of the United States.

I have a complete statement here, Mr. Chairman, which I would like to submit for the record.

The CHAIRMAN. Without objection, it will be printed in full in the record.

Senator TOWER. I would just informally say that I have known this gentleman for many years, he is a very prominent member of the banking community in the State of Texas, a very successful banker.

I think he brings the kind of background and experience to the Export-Import Bank that will be enormously helpful. I don't think there is anyone currently in the ruling hierarchy at the Export-Import Bank that has the practical experience that Mr. Allen has.

Mr. Allen has I think a good solid understanding of the need of the United States to maintain a competitive position abroad. I think he understands the nature of our competitive position in the world marketplace. And I think his perceptions of what the Bank's mission is are good perceptions. He has got a great deal of ability, he is very diligent, he is certainly extremely well-respected in the banking community.

I am delighted to have this opportunity to recommend him to the committee and enthusiastically support his nomination and commend the President for having the good judgment to nominate him.

The CHAIRMAN. Thank you very much, Senator Tower.

[Complete statement of Senator Tower follows as though read:]

STATEMENT OF SENATOR JOHN TOWER

Senator TOWER. Mr. Chairman, members of the committee. It is a real pleasure for me to introduce Mr. H. K. Allen, who has been nominated to be First Vice President and Vice Chairman of the Board of the Export-Import Bank of the United States.

H. K. was born in Dallas, Tex. He graduated from high school in Austin and attended both Southwestern University and the University of Texas, where he completed his formal education in 1951.

H. K. has received special recognition for outstanding service and achievement in a number of endeavors and has served on a long list of professional and civic organizations. He has served as a member of some of the finest and most respected organizations in Texas, reflecting a keen and genuine interest in the affairs of his local community, his State and his profession. He has also served as a member of many fine organizations with a broader constituency, indicating his concerned interest in national and international affairs. In doing so, he has carried out a longstanding Texas tradition of civic pride and dedicated public service.

H. K. has spent the past 25 years of his professional career in the field of banking. His career rise from bookkeeper to chairman of the board of Temple National Bank in Temple, Texas exemplifies his personal initiative and professional commitment. He presently serves as the chairman or member of the board of several Texas banks, reflecting the well-deserved recognition he has earned as a member of his profession. It is this background as a banker and concerned and dedicated citizens that will serve H. K. Allen well in the position for which he has been nominated.

The CHAIRMAN. Mr. Allen, will you rise and raise your right hand? [Thereupon, Nominee Henry K. Allen was duly sworn by the chairman.]

The CHAIRMAN. Now I understand you have an opening statement you would like to make. We would be happy to hear it. Go right ahead.

STATEMENT OF HENRY K. ALLEN, NOMINEE

Mr. ALLEN. Yes, sir. Mr. Chairman and members of the committee. I am honored to be before you today as President Carter's nominee for the position of First Vice President and Vice Chairman of the Board of the Export-Import Bank of the United States.

The administration, through Chairman Moore of the Export-Import Bank, has recommended a Board of Directors comprised of persons with different professional experience, so that the Board will have a broad understanding of the matters which it considers. To review the members of the Board for you, it contains a person from small business, an attorney from the international and academic scene, an engineer, and now my nomination, a banker. I will be the only person on the Board with a professional banking background.

While being briefed at the Export-Import Bank, and thinking of my own experience and qualifications for this position, it became clear to me that certain parts of the language of the legislation speak directly to the banking profession.

To point out a few instances of that language, the act says:

This agency shall be an Export-Import Bank. The objects and purposes of the Bank shall be to aid in financing and facilitate exports, to provide guarantees, insurance and extension of credit at rates and on terms and under conditions which are competitive. Loans made by the Bank shall bear interest at rates determined by the Bank's Board of Directors, taking into consideration the average cost of money to the Bank, as well as the Bank's mandate to support U.S. exports at rates and on terms and conditions which are competitive. The Bank should supplement and encourage, and not compete with private capital. The Bank should aid, counsel, assist and protect insofar as possible the interests of small business concerns in order to preserve free competitive enterprise. Loans shall be for specific purposes and offer reasonable assurance of repayment. The Bank shall take into account any serious adverse effects of such loan or guarantee on the competitive position of the United States' industry, and availability of materials which are in short supply in the United States and employment in the United States.

The Export-Import Bank makes loans in U.S. dollars and these loans should be repaid in U.S. dollars. To further define the phrase "to make loans," it means direct credits, insuring credits, and guaranteeing credits.

With the exception of government-to-government credits, the credits require those standard credit procedures, information, and judgments which I have been involved in for over 20 years.

Going along with the decision on credit is a matter of determination of interest rates and other charges on each individual loan, and on the investment portfolio as a whole, and then balancing this against the cost of funds to fund the credits in order to insure an acceptable spread.

This exercise of interest rate and fees charged versus interest rate costs is an essential part of modern bank management, and one with which I am very familiar.

In the area of supplementing and encouraging but not competing with private capital, I think my years of experience in lending to private capital will be particularly helpful in defining that point beyond which private capital will not go because of a policy consideration.

The two areas of apparent concern here are maturities and interest rates. During my banking career I have financed the starting, the growth, and the success of businesses and believe that my experience in this area will be valuable in the Export-Import Bank in fulfilling the legislative requirement to aid, counsel, assist and protect, insofar as possible, the interests of small business concerns, in order to preserve free competitive enterprise.

An important factor in every credit decision is the assurance of repayment. The enacting legislation of the Export-Import Bank requires that there be reasonable assurance of repayment on loans. My years of experience in working with credits and having to determine assurance of repayment will be a material aid in the loan decision process at the Export-Import Bank.

Overseeing the administration of the Export-Import Bank is a possible function that the Chairman of the Bank will ask me to perform. The bank is organized into the lending function, with the normal support areas of accounting, files, et cetera. Because of my management experience in banking, I do not anticipate any difficulty in working with the other officers of the bank in administrative matters.

Another possible function the Chairman of the Bank may ask me to perform is liaison with banks who are participating or are considering participating with the Export-Import Bank in facilitating exports. My understanding of banking will make me an effective spokesman for the Export-Import Bank.

Another area where my experience should be valuable for the Export-Import Bank will be in the specific program known as the Cooperative Financing Facility. As I understand the program, Export-Import Bank arranges with a foreign bank or branch to make loans for the Eximbank and Eximbank looks to the bank or branch for assurance of repayment. This means the financial condition of the bank is of paramount importance. Because of my position in banking for a number of years, I feel my examination of these bank statements will be especially helpful to the Board.

My opinion today is that the Export-Import Bank of the United States can continue to play an important role in sustaining and creating jobs in this country and at the same time be a factor in helping to lessen the deficit in our balance of payments problem.

In closing, I must say that I believe strongly in the American system, the American people. We are burdened with problems, but that is not unique to this generation. Problems are an ongoing condition of humankind. The solution to our problems is within our ability. We can continue to succeed with reasonable thinking, hard work, and a good attitude.

My commitment to you is to do my best continuously. With the help and cooperation of the staff at the Eximbank, the leadership of the administration, the counsel of Congress, the advice and consent of the Senate, and God willing, I shall not fail.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very, very much for a most impressive statement.

We are honored to have Congressman Poage of Texas here. Would you like to come forward? I know you have written me a very enthusiastic letter about the nominee. We are delighted to have you make whatever statement you would like to make to the committee.

STATEMENT OF W. R. POAGE, REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. POAGE. Thank you, Mr. Chairman. I deeply appreciate the fact that you are taking the time to let one of H.K.'s many friends at home appear just to tell you that we think that he is one of our finest citizens, one of those who is qualified to do a job in a bigger field, after having done a good job in a smaller field.

H. K. Allen has been associated with banking in my home area for a good many years, I guess about 20 years, something on that order. And we have found him to be one of our better bankers.

Now, we are not a great metropolitan area, we are basically a developing area. Probably Mr. Allen has had the experience in the very field or the closest to the very field in which he expects to serve that one could have in the United States. He has been in the field of finance in an area where we needed credit, where we had to bring in credit from the outside.

He has been familiar with the needs at home of developing countries, and I can't see that he could have had a better background for dealing with developing countries. He has taken a hand in everything that has looked like it would develop the community.

We believe that that is indicative of making this Export-Import Bank serve its purpose of developing other areas.

He has not been an extreme partisan; I must say that he has supported me, Mr. Chairman—

The CHAIRMAN. That shows good judgment.

Mr. POAGE. He has taken a hand in those things, he has taken a hand in trying to make ours a better world.

And I think he has contributed substantially to doing so. We believe that is the kind of man we need in this position.

We recognize that the Export-Import Bank Board has had people from a great many walks of life, and does now. But we recognize that it is a financial institution, it is a banking institution, and obviously it needs someone in the organization who has had familiarity with banking. And we bring you such a man.

We bring you a man whom we believe is peculiarly well-fitted to serve in this particular position. And those of us in central Texas—I think I can speak for most of those in our area—are particularly happy that President Carter selected this man for this particular spot. And we greatly appreciate the opportunity, Mr. Chairman, that you have given us to at least say how much we think of our fellow citizen; we believe he will render a great service to the country.

The CHAIRMAN. Thank you very, very much, Congressman Poage, for a fine statement.

Mr. POAGE. Thank you, Senator.

The CHAIRMAN. Senator Bentsen regretted he could not be here, but he has sent a most enthusiastic statement. I will read the last paragraph of it:

I have no hesitation whatever in recommending H. K. Allen to the committee as an exceptionally qualified and competent candidate for First Vice President and Vice Chairman of the Board of the Export-Import Bank.

That statement will be printed in full in the record.

[The statement follows:]

STATEMENT OF SENATOR LLOYD BENTSEN

Mr. Chairman, I regret that my absence from Washington prevents me from appearing personally before the committee to introduce Mr. H. K. Allen, who has been nominated by President Carter to be First Vice President of the Export-Import Bank of the United States.

I am very pleased that a person with H. K.'s education, training, and experience and the success of his career is willing to make the sacrifice that is required in order to make his services available to our Government.

I have known Mr. Allen, as a friend and a leader of the Texas banking community, for many years. There has never been an occasion when I have had reason to question his judgement, his integrity, or his ability.

If confirmed by the Senate, Mr. Allen will bring a generation of practical banking experience and achievement to his new duties at the Export-Import Bank. H. K. Allen has been chairman of the Temple National Bank for 25 years. He is also chairman of the Farmers and Merchants State Bank in Ballinger and the First State Bank of Rogers, Tex. He has also served as treasurer and councilman of the Texas Bankers Association.

Mr. Chairman, H. K. Allen knows the banking business inside and out. There is a wealth of international banking experience already represented on the ExIm

Board. I believe that Mr. Allen's nomination is particularly significant in that he will bring a generation of practical banking background to the Bank. He knows how to lend money; to guarantee and insure loans; how to judge the value of collateral. He knows how to get the maximum utility out of the limited resources of the ExIm Bank.

Educated at the University of Texas where he received degrees in Business Administration and Law, H. K. Allen served this country in World War II and in Korea. He has long been an active participant in Texas civic and community activities where his efforts resulted in the building of a new hospital and cultural center. In recognition of his achievements, he was chosen Outstanding Citizen of Temple, Texas, in 1968 and received the Rex Braun Award from the Texas Women's Political Caucus in 1975.

Mr. Chairman, I have no hesitation whatsoever in recommending H. K. Allen to the Committee as an exceptionally well-qualified and competent candidate for First Vice President and Vice Chairman of the Board of the Export Import Bank.

The CHAIRMAN. I might say that there were other letters, you have lots of friends down there, Mr. Allen.

Mr. ALLEN. I am grateful for that.

The CHAIRMAN. Lots of people who think very highly of you who have written to me about your experience.

I certainly would concur in Senator Tower's emphasis on the fact that you have had hard practical experience as a banker. That is certainly in your favor, and of importance inasmuch as the Export Import Bank does deal with trade, which of course is fundamentally a bank, a credit institution, and that is where you have had a lifetime of experience.

Mr. Allen, I want to ask first some questions that may be a little uncomfortable, but I think they should be raised on the public record and answered on the public record, and so I am going to start off with those.

We know from information that you provided the committee that you received a series of loans totaling \$1 million from the National Bank of Dallas from 1960 until last year.

Those loans were used to buy stock in three banks with which you are affiliated.

From 1960 to 1972 the interest rate on your loans was from 2 to 4 percentage points below the prime rate. After 1972, the interest rate went up to the prime rate.

Why was the interest rate on your First National Bank loan below the prime rate before 1972?

Mr. ALLEN. Well, I would explain that, Mr. Chairman, by saying that those rates on those type loans were not uncommon in that area at that time. The examining authorities of the banking institutions were aware of such loans and such rates, and no comment, to the best of my knowledge, was made to the bankers that it was viewed with unfavorable feeling.

As time went by, this matter seemed to gain more attention, and the examining authorities in the early 1970's made it known that such practice was not looked upon with favor, and that another posture concerning this matter would be taken.

And after such a statement was made, expressed by the examining authorities, I think most bankers, especially myself, as always, responded to the suggestions and counsel of the banking authorities.

The CHAIRMAN. Was that the reason why the rate went up in 1972

to the prime rate? I understand that your rate went up to the prime rate in 1972.

Mr. ALLEN. Well, yes. I would answer that question yes at this time.

Senator TOWER. Mr. Chairman, if you would yield at that point, I would like to confirm what Mr. Allen says is correct, that this was a common practice at that time. And one followed by many bankers and was accepted at that time.

The CHAIRMAN. Now was this matter ever investigated by an agency of the Federal Government?

Mr. ALLEN. To my knowledge, Mr. Chairman, it was not investigated until after the White House received the routine FBI report, in connection with my nomination. I was notified that the investigation had taken place in 1972. I cannot recall that this matter was ever mentioned to me by the FBI or any other agency of the Government before the White House notified me.

The CHAIRMAN. I will interrupt the proceedings for a minute, we know how busy Congressmen are, and I understand Congressman Pickle has arrived.

Congressman Pickle, would you like to come forward and make a statement at this point? We will be happy to accommodate you.

STATEMENT OF J. J. PICKLE, REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. PICKLE. Senator, members of the committee: I thank you, you are very kind to allow me.

I was late getting here this morning, due to a little difficulty on Rock Creek. But I was able to help usher in Senator Riegle with me this morning.

Let me simply say that I am here and appearing in favor of the nomination and confirmation of Mr. Allen. I have been friends with his family for 30 or 40 years. His mother and I worked together with Governor Price, a former Member of this great body. We were classmates at the University of Texas, and are close personal friends.

Additionally, I have been associated with him and his family in business circles of Texas.

I don't know a finer man or a better executive than Mr. Allen, and I am pleased to testify here this morning.

I thank you very much for allowing me to make a statement.

The CHAIRMAN. Thank you, Congressman Pickle. We are most impressed with your coming over from the House. Thank you very much.

Now to resume, you say the first you heard of this investigation was after you were nominated by the White House?

Mr. ALLEN. Yes.

The CHAIRMAN. That was what, a month or so ago?

Mr. ALLEN. Well, perhaps before that. I would say maybe in early December. I am not sure about the timing.

The CHAIRMAN. You heard it from the White House for the first time?

Mr. ALLEN. That is correct.

The CHAIRMAN. You see, what puzzles us is the FBI record indicates on October 24, 1972, that they interviewed you, the FBI did, in connection with this. Would you consider that to be notice you were being investigated?

Mr. ALLEN. I would think that would be notice. But I don't—

The CHAIRMAN. You don't recall that?

Mr. ALLEN. I beg your pardon?

The CHAIRMAN. You don't recall that interrogation?

Mr. ALLEN. You know, sometimes our minds do funny things to us. But I was completely shocked when the White House mentioned that to me. I was completely shocked, and I inquired of my family to see if I had said anything to them at the time. I inquired at the bank to see if I had mentioned it to them, because I could not imagine something like that slipping my mind.

The CHAIRMAN. All right. At any rate, what happened is on October 24, 1972, they did discuss this with you, but it was something you had no recollection of, or had no recollection at that time.

All right, that is clear on the record.

Did the First State Bank of Rogers, Tex., the Temple National Bank, and the Ennis State Bank maintain correspondent accounts with First National Bank of Dallas before you began receiving bank stock loans from First National Bank?

Mr. ALLEN. Yes.

The CHAIRMAN. What were the amounts of the correspondent accounts?

Mr. ALLEN. They were just those balances necessary to maintain the account, and in the usual course of banking business.

The CHAIRMAN. Did the size of these accounts differ after you received the loans?

Mr. ALLEN. There was no relationship between the loans and the size of the accounts. The accounts, of course, varied, but that was more the result of the general deposit activity and growth in deposits of the institutions.

But the loans that I received from the correspondent bank did not relate to the balance carried with the correspondent bank. An analysis of these facts will sustain my statement.

The CHAIRMAN. What were the services provided by the First National Bank in return for the correspondent accounts? What were they worth, these services?

Mr. ALLEN. Well, they performed those usual duties that a city correspondent does perform.

The CHAIRMAN. Did you make any evaluation of them, of the services?

What I am getting at, of course, is the contention that sometimes these correspondent deposits, which are interest-free, are placed with the bank and of course it is beneficial to the bank that gets the correspondent account, in return for which they provided services.

And the argument has been that the services pretty much balance out the loss of interest on the correspondent accounts.

Is it your judgment that was about what happened in this case?

Mr. ALLEN. Well, I think so, Mr. Chairman.

Additionally, the market, you know, changed pretty dramatically during those years. In the early 1960's money did not have the value that it did as the 1960's progressed.

The CHAIRMAN. And interest rates were much lower.

Mr. ALLEN. That is correct. Most commercial banks started taking on more interest-bearing deposits. Interest-bearing deposits were growing and this meant the matter of the tightest kind of funds management, and so there was that change that went on in the 1960's, and then into the 1970's.

The CHAIRMAN. Were the loans you received from the First National Bank related to the size of the correspondent accounts maintained in the First National Bank by the three banks with which you were affiliated?

Mr. ALLEN. No.

The CHAIRMAN. They were not. Was the interest rate on the First National Bank loans related to the correspondent accounts maintained in the First National Bank by the three banks with which you are affiliated?

Mr. ALLEN. As I mentioned earlier, I considered the terms and conditions of those loans not to be uncommon for banking in Texas under those circumstances at the time.

The CHAIRMAN. Did you use the stock of the banks in which you were buying shares to secure your bank stock loans from First National Bank?

Mr. ALLEN. Generally, yes.

The CHAIRMAN. Why do you think a bank would loan money at below prime rate?

Mr. ALLEN. Well, in Texas we do not have branch banking. It is necessary, as far as I am concerned, in a banking environment to have contacts between people and to look forward to the future, to see what is ahead for us. I think a great many people in Texas and elsewhere, I am sure, have looked forward to the future with the hope that we can have a better standard of living for all people, a better economy, a better country.

I think, in line with this kind of thinking, that bankers were working together in such a way that they could look forward to having sound banks, having good bankers, and getting a real good job done for banking in Texas.

The CHAIRMAN. What I am getting at, Mr. Allen, is the fact that a below prime rate, particularly substantially below, as these loans were, suggest a preference and favoritism, and after all, the prime rate is the best rate offered to their best customers, and a loan below that seems to have been for a kind of special consideration.

Do you consider that to be a safe and proper banking practice?

Mr. ALLEN. Well, if you would ask me specifically did I think that that loan to me was a safe and proper banking practice, I would say yes.

The CHAIRMAN. I don't want to be unfair, I understand the situation. I think Senator Tower gave a response to that which I think is about it, that after all, at that time this was a common practice, you weren't the only banker, in fact, you would have been unusual if you had paid the prime rate, all bankers were pretty much in the same position.

Furthermore, as I understand it, after 1972 it was a general practice to raise the rate to the prime rate, and you went along with that, and

you did not diminish your correspondent balance as a result of having a higher rate of interest.

Mr. ALLEN. That is correct.

Senator TOWER. Would you yield at that point, Mr. Chairman?

The CHAIRMAN. Yes.

Senator TOWER. This was a fairly common practice in Texas at that time, not having branch banking, it being precluded by law in Texas, and with all of the corporate movement into the State, we found our banks had an inadequate base to service this new industrial growth we had, so this movement began, which ultimately evolved into the big bank holding companies we now have, which we had sort of in lieu of branch banking.

For example, in Harris County, in Houston, Tex. alone, there are more different banking institutions than there are in the entire State of California.

This is because of the antibranch banking law, and these are now gathered together into holding companies so they can provide an adequate financial base for the enormous growth that we had.

The CHAIRMAN. I have been asking questions, I have some more questions to ask, but I will yield at this time to Senator Tower.

Senator TOWER. I just have a couple of questions, Mr. Chairman.

Mr. Allen, you have served on the Advisory Committee of the Small Business Administration in Dallas.

Do you think that this experience can be valuable to you at the Ex-Im Bank?

Mr. ALLEN. Yes; I do, Senator.

Senator TOWER. In what way?

Mr. ALLEN. Well, I think there is an opportunity for a person like myself, who comes from what I consider to be in a way a small business climate, to make a valuable contribution to the export business of this country and to the Eximbank. I have had people from private businesses contact me since the announcement was made of my nomination who say they were very pleased that this nomination had been made, because now a person from the small business environment would be in Washington at the Export Import Bank, and would then be more familiar with, and more willing to listen to, their problems and to understand the problems.

Senator TOWER. You mean you are going to try to move small business more into the export market?

Mr. ALLEN. Yes, sir.

Senator TOWER. What do you think could be done to encourage more banks to participate in the programs of the Export-Import Bank? Or do you consider that to be important?

Mr. ALLEN. Well, I think it is a matter of contracts. I think it is a matter of getting in touch with banks and continuing to get in touch with them.

I don't want to take away from what has been done and what is being done. I think that thank goodness for this Government and the people who are working in it and that we are continuing to press forward to do better all of the time.

I think that I am uniquely qualified in this field, because I understand the banking language, and because I particularly understand smaller banks. I will be able to speak to these people about the Export

Import Bank, understand their problems, and understand what their questions might mean, and thereby fill this role of connecting banks and small businesses with the Export-Import Bank.

Senator TOWER. Thank you, Mr. Allen. Thank you, Mr. Chairman. I have no further questions.

The CHAIRMAN. Senator Riegle.

Senator RIEGLE. Thank you, Mr. Chairman. Mr. Allen, Senator Bentsen asked me to make a statement in his behalf.

The CHAIRMAN. I put his statement into the record.

Senator RIEGLE. Right. As I understand it, you read the last paragraph of his statement.

The CHAIRMAN. Right.

Senator RIEGLE. I promised him I would deliver his statement in full, so I am going to read the rest of it which you have not read, because I feel obligated to do it.

Mr. Bentsen comments on your behalf as follows:

Mr. Chairman, I regret that my absence from Washington prevents me from appearing personally before the Committee to introduce Mr. H. K. Allen, who has been nominated by President Carter to be First Vice President of the Export-Import Bank of the United States.

I am very pleased that a person with H. K.'s education, training, and experience and the success of his career is willing to make the sacrifice that is required in order to make his services available to our Government.

I have known Mr. Allen as a friend and a leader of the Texas banking community for many years. There has never been an occasion when I have had reason to question his judgment, his integrity, or his ability.

If confirmed by the Senate, Mr. Allen will bring a generation of the practical banking experience and achievement to his new duties at the Export-Import Bank. H. K. Allen has been chairman of the Temple National Bank for twenty-five years. He is also Chairman of the Farmers and Merchants State Bank in Ballinger and the First State Bank of Rogers, Texas. He has also served as Treasurer and Councilman of the Texas Bankers Association.

Mr. Chairman, H. K. Allen knows the banking business inside and out. There is a wealth of international banking experience already represented on the Exim Board. I believe that Mr. Allen's nomination is particularly significant in that he will bring a generation of practical banking background to the Bank. He knows how to lend money, to guarantee and insure loans, how to judge the value of collateral. He knows how to get the maximum utility out of the limited resources of the Exim Bank.

Educated at the University of Texas, where he received degrees in Business Administration and Law, H. K. Allen served this country in World War II and in Korea. He has long been an active participant in Texas civic and community activities where his efforts resulted in the building of a new hospital and cultural center. In recognition of his achievements, he was chosen Outstanding Citizen of Temple, Texas in 1968 and received the Rex Braum Award from the Texas Women's Political Caucus in 1975.

Mr. Chairman, I have no hesitation whatsoever in recommending H. K. Allen to the Committee as an exceptionally well-qualified and competent candidate for First Vice President and Vice Chairman of the Board of the Export Import Bank.

That is the statement of Senator Bentsen which he personally asked me to deliver for him. I said I would and I felt I should go ahead and see that that was done.

Now, speaking for myself, Mr. Allen, we have talked previously, and I am very interested in your nomination. Though there are some questions that have arisen, and some doubt in some people's minds, my mind is open. Therefore I am going to be very interested in your responses and in how the committee record sorts itself out.

I might say to you that I had an experience on the House side, I spent 10 years there, and I served on the Foreign Operations Subcommittee of the Appropriations Committee for 6 of those years under Chairman Passman, whom I remember well, as would anyone who ever worked with him. A fellow named Henry Kearns, whose name may ring a bell, who headed the Export-Import Bank, came before our committee. I had uncertain feelings about him, and we engaged in some very heated colloquy at different times.

Later some effort or prosecution was brought against him. He turned out to be someone who had other problems and it was very disturbing.

In any event, that experience with the Eximbank has sort of left a red flag in my own mind.

I see this as a really key assignment. I think one of the questions that has been raised by some, which I think is important for you to respond to as fully as you can, is the question of whether or not your experience gives you a sufficient kind of training to really tackle the kind of issues and policy questions that come up in the international trade and finance area.

So what I would like you to do is try to sort of abstract your experience in banking in Texas over almost three decades and indicate the parts of that which you think really equip you to give some leadership and some real strength to the whole question of the international trade picture and the other functions of the Export-Import Bank.

Mr. ALLEN. Thank you, Senator Riegle. I am grateful to you for reading the statement from Senator Bentsen, and I will be pleased to respond to that question.

In my opening statement I think I commented on why I feel that I am qualified to have this position as First Vice President and Vice Chairman of the Export-Import Bank.

Banking is a matter of lending, at least a major part of it is lending. And this is something I have been involved in for over 20 years. It may be that a credit, whether it is a direct credit, an insured credit, or a guaranteed credit, originates outside of the United States, but at the same time, with the exception of government-to-government credits, credits are based upon financial statements and operating figures and history. And when you get down to making a judgment on credits, these matters must be considered.

As I have visited with the people at the Export-Import Bank, they have assured me again and again that this is what we are going to be talking about, and as a member of the loan committee there that meets daily, my responsibility, I presume, will be to meet with them and to talk about these applications for credit. Applications for credit must deal with financial statements, with credit reports, and those usual credit standards that I have been dealing with for 20 years.

So I anticipate being able to walk on the scene and to sit down at that committee and talk about something that I have been involved in for 20 years.

Now let me say that I think I have been also successfully involved in it for 20 years.

Senator RIEGLE. That addresses the question of taking a look at a particular loan application, and evaluating the credit worthiness of it,

and the pay-back requirements and the reasonableness of those and other things.

Let me ask you this: How about stepping back from that and looking at the overall strategy of American import-export activity in terms of what is good for this country and the western economies?

What thoughts do you have in that area? I mean have you had a chance yet to formulate your thoughts about how each one of these individual loans may or may not fit into a larger strategy that would make sense for this country at this time?

Mr. ALLEN. Well, yes, Senator, to a certain degree I have. I hope you can appreciate the position of a person like myself, who has been nominated for this position, and has come up for briefings and has talked with the staff at Eximbank about these matters.

I have a very sensitive feeling about employment in this country. I was born before the Depression; I understand what it is to be hungry; I understand what jobs mean; and I am very sensitive to employment in this country.

I think that in terms of the export business we have an opportunity to do a good job in that area between the point where private capital says we can go no further, principally on maturities and in interest rates, and yet we can still provide jobs by supporting exports and be involved in a world which we must be involved in.

Senator RIEGLE. So I take it that you are saying that you think that the employment situation in the United States is such that if we can do a better job of really stimulating the American exports and developing foreign markets for our products, that this is a way to really make a dent in the unemployment problem in this country, and that is something that you would, as a strategic kind of emphasis, something you would want to give some real weight to?

Is that what you are saying?

Mr. ALLEN. Well, you used the expression "could really make a dent in it." I don't know that the export-import business in terms of the total volume that is done through the Export-Import Bank will really make a dent.

But I think all of us working together can do our part, and with the Export-Import Bank doing what they can.

I think there is some relationship between the dollar amount of exports and the Export-Import Bank, and jobs. Maybe it is one job in 50, but whatever it is, it is that job.

Senator RIEGLE. Have you done much foreign traveling?

Mr. ALLEN. Well, of course, you know I joined the Navy and saw the world. I have been to Japan, I have been to Hawaii, I have been to the Marshall Islands, Kwajalein, Eniwetok, to the Netherlands, France, England all over the Caribbean, and I have been to Mexico many times. I have also been to Canada.

I would say I have been out of this country and dealt with people in foreign nations enough to grasp what we are talking about worldwide in terms of human beings dealing with human beings.

Senator RIEGLE. And when you were involved in those travels, were they working trips, business-related trips, or banking-related kinds of matters, or was that a component of those discussions and meetings and so forth?

Mr. ALLEN. Senator Riegle, I don't know who your banker is. I wish it was H. K. Allen. But I am the kind of banker, I think many bankers are this way, who very seldom goes anywhere or does anything where I don't talk about banking. I want to know what is going on. I like to get up early, stay up late, and a couple of words that have been a part of my life that I believe in are have "pursuit" and being "intense" about things.

I like that attitude, and when I go places, I talk about it. I want to see what the possibilities are.

Now have I ever been sent to a foreign country for business purposes? I can't say for sure that I have specifically.

Senator RIEGLE. But I guess your testimony is to the effect that you do talk about these things, you are aware of them and so forth, so a lot of that kind of information gathering and awareness of developments has gone on through these kinds of travels.

I am not surprised that you haven't been sent on a foreign country assignment. Bert Lance has a diplomatic passport from this country and he hasn't been sent on one either, which is a very sore point with some of us in the Democratic Party, I might say.

Let me just ask one other thing and I think my time will be up for now.

We have a number of basic industries in the U.S. steel industry, the shoe industry, and even the automobile industry, which is very close to my heart in terms of my home State's health and vitality, and the job picture, and these industries are really under stress and pressure because of foreign imports.

And we have already had a finding in the area of the steel industry that there is dumping going on, where certain foreign country manufacturers are bringing products into this country below their full manufacturing cost and using the United States as a place to get rid of their excess capacity and keep their people working and put our people out of work.

I suspect, frankly, the same thing has happened to a certain extent in automobiles. They do that in a different fashion there, because the tariff barriers are erected in other countries that have the effect of essentially blocking any possibility of American-built automobiles competing effectively in those markets. And this has put American Motors in the chairman's home State, in a perilous position and has put other companies that are based more in my State in a perilous position.

I am just wondering in this area if it would be your feeling or sense in developing import-export policy to see if we couldn't do something to deal with that particular problem, or at least not fortify it and not make it worse than it is through loans or through banking policies that, you know, could take and foster even more of that.

Mr. ALLEN. Senator Riegle, I can assure you that I will be very sensitive in that area. A word comes into my mind, it is called fair. What is fair? And when you think about other countries being able to ship things into this country, and we are not able to ship things into their country under certain circumstances, perhaps, I think we

have got to always, and I have tried to make it a part of my life, be fair, to judge things on the basis of fairness.

The point I want to make there is that I will be sensitive to that, and that I am conscious of the fact that this dumping that you referred to is a concern, and I will be alert to that matter coming before the Eximbank.

Senator RIEGLE. Mr. Chairman, in yielding, let me just ask a question of you and the staff.

Is there some process or some way in which one makes sure that there is no possible spillback of decisions by the Eximbank to banks that a member would have had a prior relationship with?

Is there something that is in the law now or some pledge the nominee makes to sever the connections and make sure there is no—not that there would be any conscious efforts to try to do anything which was improper—but to protect against the appearance of any kind of relationship of that sort?

Do we have anything presently that protects this matter?

The CHAIRMAN. Well, of course, the Export-Import Bank position is, like to many other positions, so many of the positions which we confirm nominees for, is very sensitive and does require a great deal of care with respect to conflict of interest.

Senator TOWER. Would the chairman yield?

The CHAIRMAN. Yes.

Senator TOWER. On the Statement for Completion by Presidential Nominees, item 5, it says:

I will disqualify myself from participation in any case involving First International Bancshares, Inc., or any bank which is a member of F.I.B. After confirmation by the Senate and within a reasonable period of time, I will sell Anderson, Clayton & Co. shares. I shall also disqualify myself from any case involving a company in which I own shares regardless of whether the stock is listed or unlisted.

The CHAIRMAN. I might also call to the attention of the Senator from Michigan the fact that Mr. Glick, who is the expert on this for the Eximbank, made the following find in a memorandum furnished on January 11. I will read it. This is to Mr. Allen.

In reviewing your statement of financial interests, we discussed your ownership of stock in First International Bancshares, Inc. The attached list, which you gave me, sets forth the banks which First International Bancshares owns and intends to acquire. As you know, under United States laws and Eximbank's regulations, you must disqualify yourself from participation in any case involving any of those institutions as well as any other entity in which you may hold a financial interest.

We have examined our records and find that Eximbank has done business with First National Bank in Dallas and First International Bank in Houston. Active cases involving First National Bank in Dallas include five guarantees aggregating approximately \$813,000, and eight discount loans totalling about \$7.2 million. Regarding First International Bank in Houston, there are three guarantees totalling about \$842,000.

So these two documents, what Senator Tower just read and this memorandum here, I think give the picture. Senator Heinz.

Senator HEINZ. Thank you, Mr. Chairman. Mr. Allen, I think you have an outstanding record as a banker in Texas. You certainly have

an exemplary civic record. With respect to your very solid record in banking, you clearly have had a lot of domestic credit experience, and, as you point out in your statement, you have worked a great deal with small business.

You have done something that many of us obviously wish we were as competent to do as you, and that is to say you lettered in football at three different universities. That is no small accomplishment, especially for those of us who tried and never quite made any letter.

The CHAIRMAN. If the Senator would yield, that comes with particular grace, because this is the king of the Hill. Two years ago there was a competition as to who was the best athlete in Congress and Senator Heinz won it easily.

Senator HEINZ. For somebody who never was able to get a letter in anything, in high school or in college, it speaks very ambiguously for the Senate as to the general shape of things.

Senator TOWER. Youth, that is what you have going for you.

Senator HEINZ. Thank you.

The CHAIRMAN. Go right ahead, Senator Heinz.

Senator HEINZ. And were the nomination nominating you for the Small Business Administration, or for any post in the Commerce Department or for a bank regulatory agency like the FDIC, I would shout hurrah.

But you are being nominated for a different kind of job, so I have some questions for you, because I am not as yet satisfied that your qualifications meet the demands of the job that you are being nominated for; namely, the vice chairmanship of the Eximbank, which is an operating position.

What experience have you had in international banking or export banking?

Mr. ALLEN. Senator, may I start by speaking to the matter of the lettering at the three universities in football before that?

Senator HEINZ. I don't wish to terminate a wonderful discussion, but Senator Proxmire runs a very tight ship in terms of time.

Mr. ALLEN. I know; 10 seconds. It was in three universities. Senator Tower and I had the good fortune of attending the same university, Southwestern University in Georgetown, Tex., and I simply identified that Southwestern University by saying Southwestern University, Georgetown. I am afraid that may have been misinterpreted as another university.

Senator HEINZ. But you did get the two?

Mr. ALLEN. I did letter at Southwestern University and the University of Texas.

Senator HEINZ. I wonder how many letters Senator Tower got.

Senator TOWER. I refuse to answer that question.

Senator HEINZ. Very well. I think we have set the record straight in a number of ways.

Let me ask you, again, could you tell us about your experience in international banking or export banking?

Mr. ALLEN. Right. I can only answer that by saying this: As I have studied the matters at the Export-Import Bank, what we are talking about there are credits, and those are direct credits, they are insured credits, or guaranteed credits.

When we talk about credits, we are talking about making loans against financial statements and operating figures. And the fact that it is a nation away from the United States, I think it still must meet the same criteria.

And this is the qualification that I come forward with to say that I think in my own experience that I can deal with credits like that and fulfill the assignment of Vice Chairman and First Vice President of the Export-Import Bank.

Senator HEINZ. I don't doubt for 1 minute that were you dealing with domestic U.S. companies in credit matters you would do an outstanding job, I don't doubt that at all.

But as I interpret your statement, you believe that your experience in domestic matters is directly transferrable to international matters, even though you seem to indicate that you have had no experience in either international banking or export banking. Is that correct?

Mr. ALLEN. Well, as to your direct question, my experience in international banking or export banking, I again say I think we are talking about credits, and I don't want to say a straight "No" to that question, because I am afraid that I would close the door on an area there in which I am qualified.

Senator HEINZ. Have you had any experience in evaluating country risk? Because that is a very important aspect of the credit evaluations involving the Eximbank. Have you had any experience involving the evaluation of country risk?

Mr. ALLEN. I have not been involved in what I would refer to as a major financial institution in this country that would have a department that would do research on country risk. I do think that at Eximbank, not only the staff there, but the State Department, is continuously working on country risk. We have available to us in this country, and specifically at the Export-Import Bank, that kind of expertise from the State Department and from other Government agencies to assist us in determining country risk.

I guess if I had had extensive experience in country risk background and study, and I came to this position, I would still feel very gratified that I had the experience, the knowledge, the background and the assistance of the State Department and the other people who I know must come forward and help us determine this country risk.

Senator HEINZ. There are some of us in the Congress who have reservations about whose side the State Department is on from time to time. I have to express some reservations about the fact that anybody, including yourself, would depend on the State Department for the ultimate decision on the evaluation of the credit risk of another country.

That would seem to me something that is uniquely the Eximbank's responsibility.

It is true that the State Department has economic intelligence, it is true that it has the diplomatic intelligence, and it has political intelligence. But it is up to other people to use that information and it will be up to you to use the information effectively.

For that reason, if I were you, I would not expect the State Department to make either an authoritative or even a credible judgment, if they made a judgment, as to the credit worthiness of another country.

There are numerous problems with doing business in other countries. You will be asked to evaluate let us say the credit worthiness of a purchaser in Italy.

Now the Italians, Italian firms, are unlike U.S. companies, they have more than one set of books, they have up to three sets of books, at least one of which is legal.

What experience have you had dealing with either companies or countries that have more than one set of books?

Mr. ALLEN. Well, my answer to that, Senator, would be this: Regardless of the country, regardless of their accounting practices, I would think in this world today there are sufficient credit sources that we can determine which businesses are revealing the facts as they should be revealed and which businesses are not revealing the facts.

Senator HEINZ. Let me ask you a question, or state to you some circumstances and ask you how you would account for them.

There is an American company that has a subsidiary in Great Britain which has been very successful. It was challenged in Great Britain about 10 or 15 years ago by another American company that is equally successful in the United States, particularly in processed soups, where the challenging company in fact is preeminent, nobody touches it.

That company went to Great Britain, an English-speaking free enterprise, or I should say relatively free enterprise economy, and was disastrously unsuccessful. It cost that company \$15 or \$20 million in losses.

Now like you, that American company that went to Great Britain was competing against an American, another American company, but was on foreign soil. It was in fairly familiar territory, there was no language problem in Great Britain, the tax system is fairly straight forward, people do keep one set of books. There are not some of the wrinkles in the economy that you might find in some of the Latin American or African nations. And yet this company, which had tremendous expertise, not only in production and marketing, but in international business, they had been around for 50 or 100 years, not only bent, but broke its pick.

Now if that happened to that company, how would you explain to us it might not also happen to somebody with your experience?

Mr. ALLEN. Well, Senator Heinz, I have tried to follow this approach as I have gone forward, and that is, get the facts, get counsel, and make decisions.

I don't have the full story, the complete story of this business venture in England. Perhaps they did a market research before they went into England; perhaps they had the facts, perhaps everything that was revealed said this is a place where we must go into business.

In other words, the whole story, they did a professional and intelligent and indepth study of what the possibilities were in Britain to succeed. After doing that, and based upon that, they made the decision to do it.

That will happen sometimes, and sometimes it still doesn't work out. I would simply say to you that as I work at the Eximbank, you will know that my procedure is to get the facts, to get counsel, and make decisions.

And I have done quite a bit of that.

Senator TOWER. Would the Senator yield at that point?

Senator HEINZ. I would be happy to yield to the Senator from Texas.

Senator TOWER. I would point out the primary function of the Eximbank is to finance purchasers abroad of goods purchased in the United States, not finance the establishment of industrial operations in those countries.

Senator HEINZ. The Senator is absolutely correct, and I am well aware of that. There is no doubt in my mind that what we are talking about is evaluating and what Mr. Allen's job is involved with, is evaluating credit risk, not business establishment risk.

But by analogy, I thought it would be helpful to try and see how Mr. Allen would respond in the business risk situation.

Senator TOWER. Is that when Heinz became a cracker in the soup business over there?

Senator HEINZ. No; it is when Campbell became a cracker in the soup business. But the Heinz company has had its problems in less developed countries, which I hope it has overcome during the last 6 years.

Let me ask you, Mr. Allen, other nations offer significant tax incentives to their exporters, nontaxation of export income, preferential treatment of income from foreign operations, border tax adjustments, and many other incentives, yet the Carter administration has proposed phasing out our only major export tax incentive, the DISC program, the Domestic International Sales Corporation.

What do you think of the administration's proposal to phase out DISC, and since you have to be concerned about effective export promotion, what would you suggest we do to counterbalance the elimination of DISC, to meet the challenge of the tax incentives that other countries extend to their exporters?

Mr. ALLEN. Well, Senator Heinz, I think that Chairman Moore of the Export-Import Bank has spoken to the issue of a more aggressive posture in dealing with our exports, and I would, as a matter of opinion, without speaking from a briefed standpoint on this, think that at this time I would like to operate within the framework that Congress has established, and the regulations that the Eximbank has, in the competitive environment that we have in terms of interest rates, maturities, quality of the American product, and go forward on that basis and explore this other matter after I have been at the Eximbank.

Senator HEINZ. Well, I recognize that you are not as yet a member of the administration. Therefore you can feel free to express your personal views at this point in time. Whatever you say will not be presumed to be a statement of the administration's policy.

Your views, however, in this matter are quite important to me, and I think to the members of the committee, because they do directly relate to the question of our exports, and you, as Vice Chairman of the Eximbank, obviously are a member of a policymaking Board, you will be the No. 2 person there, and questions such as this not only should be raised, they will be raised.

So it is important for us to get an idea of your judgment on matters like this. So let me try you one more time, understanding clearly that this is no way commits you to an administration statement of position, it is just your statement.

What do you think today of the administration's proposal to phase out DISC, and what would you suggest we do to counterbalance the tax incentives other exporting countries extend to their exporters?

Mr. ALLEN. I think the United States must be involved in the export business. I think we must be involved in it in such a way that we succeed. I think it is a terribly competitive matter at this time, and I think that other countries are moving forward particularly with their export-import banks as compared to the United States.

If the program that we have at this time, whether recommended by the administration or whoever, is not going to succeed, it would be my hope that the program would be changed, amended, to operate in such a way that we can succeed.

We must be in the ball game and we must be in the ball game successfully, and I think that we have the ability in this country, in Congress, in the people, and at the Export-Import Bank, to do the job that needs to be done.

Senator HEINZ. You are reluctant to express an opinion on DISC. I won't press you further, but I would note for the record that you have decided apparently not to express an opinion on either DISC or the other question I asked you in terms of specifics.

I didn't hear you say anything about whether or not DISC was worth retaining, nor did I hear you make any judgment as to whether the administration's proposal, which is familiar to a large number of Americans—

Mr. ALLEN. Speaking directly, then, Senator Heinz, let me say this: I have not been briefed on this particular point, and you had indicated that you would like to get a feeling of what my sentiments are in this area. And since I have not been briefed and since I cannot answer yes or no, I thought the next best thing to do would be to try to give you my sentiments.

Senator HEINZ. One last question, because the chairman has been very patient with me on the time.

Have any of the companies that you have dealt with during your extensive career in banking, ever used DISC?

Mr. ALLEN. Have they used DISC?

Senator HEINZ. Yes.

Mr. ALLEN. No, sir; they have not.

Senator HEINZ. So neither you nor they have had any experience with DISC?

Mr. ALLEN. Not to the best of my knowledge, Senator.

Senator HEINZ. Mr. Chairman, I thank you for the time.

The CHAIRMAN. Thank you, Senator Heinz. First, I want to apologize to the witnesses who were scheduled to appear at 10 o'clock. I notice that some of them are there, Mayor Crichton and Mayor Davis. We do apologize, but we have this very important nomination hearing and we want to move along as fast as we can, so we are going to have to delay the hearing.

Mr. Allen, I understand the IRS had questioned certain business expenses claimed by First International Bancshares during 1974 and 1975.

Can you for the record describe the nature of this problem?

Mr. ALLEN. Well, the member banks of First International Bancshares had a routine audit by the Internal Revenue Service which is

not yet complete, and the IRS has not yet submitted their statement, at least that was the report to me yesterday.

During this routine audit, they did examine the Temple National Bank. On doing that audit, with respect to certain expenses that I thought had been reasonable and necessary, there was a disagreement in terms of the necessity.

The CHAIRMAN. Was this the use of a plane, allegedly for private purposes?

Mr. ALLEN. Well, it wasn't alleged that the plane was used for private purposes. It was simply a matter that the documentation that I presented did not meet the requirements that the Internal Revenue said they must have for documentation. In fact, I own the plane, and it was in fact used for bank business, and in my judgment was a reasonable and necessary expense that was attributed to that plane.

The CHAIRMAN. All right, sir. As Vice Chairman of the Eximbank, you would be much more than the internal administrator of the Bank. You would sit on the Loan Committee, you would be one of the five ruling members of the Board, you would chair the Board in Mr. Moore's absence on his frequent trips around the country and around the world, you would be directly and deeply involved in decisions to extend export credits and guarantees.

The previous Vice Chairman of the Bank, Mr. Walter Sauer, was a career employee of the Bank, with great knowledge of the Bank and in international finance. Mr. Sauer was Vice Chairman for 30 years, and the Bank was considered well-managed because of his long and able service.

Prior to being nominated to be Vice Chairman, have you ever done any business with the Eximbank or assisted any company in doing business with the Eximbank?

Mr. ALLEN. No, sir.

The CHAIRMAN. Had you ever visited the Bank before being nominated to a position which in effect involves running the Bank?

Mr. ALLEN. No, sir.

The CHAIRMAN. How much export financing did your bank in Texas do, your banks, you had four of them?

I am not referring to First International Bancshares, of which you were recently a Board member, but the Ennis State Bank, the First State Bank of Rogers, Tex., and Temple National Bank, over which you had considerable control for some period of time.

Mr. ALLEN. Would you restate the question, please?

The CHAIRMAN. How much export financing did these particular banks offer when you were a top executive and had considerable influence? How much export financing they did?

First, have your banks ever made any international loans or participated in any international financing?

Mr. ALLEN. By "international financing," do you mean that we financed a product from this country sold in a foreign country?

The CHAIRMAN. Yes.

Mr. ALLEN. I would say that there probably are several instances where that has been done. As my mind goes back over it, I simply know we have had some inquiries at Temple National Bank from some of our local people about doing business, as I recall it perhaps in Mexico.

I would say probably in a broader sense it would not be unreasonable to answer that question in the negative.

The CHAIRMAN. All right. The Eximbank's credits are extended mainly in support of big ticket capital goods exports. I have a list of the principle items for which the Bank provides export support. Will you indicate whether you have direct knowledge of such transactions based on your own banking experience?

First, nuclear powerplants?

Mr. ALLEN. I doubt that there are many bankers in America that have, Mr. Chairman. I have not.

The CHAIRMAN. Large commercial jet aircraft?

Mr. ALLEN. No.

The CHAIRMAN. Liquid natural gas plants?

Mr. ALLEN. No.

The CHAIRMAN. Diesel locomotives?

[Mr. Allen, shaking head.]

The CHAIRMAN. Steel plants?

[Mr. Allen, shaking head.]

The CHAIRMAN. Extrusion presses?

[Mr. Allen, shaking head.]

The CHAIRMAN. Hydroelectric generators?

[Mr. Allen, shaking head.]

The CHAIRMAN. By shaking your head, I take it you mean no?

Mr. ALLEN. I beg your pardon. If there is a change, I will say yes.

The CHAIRMAN. Textile machinery?

[Mr. Allen, shaking head.]

The CHAIRMAN. Chemical plants?

[Mr. Allen, shaking head.]

The CHAIRMAN. What is the largest loan you have ever made through any of your four banks, that is, Ennis, Rogers, Temple, and Ballinger?

Mr. ALLEN. As I recall, the largest credit that we have originated at Temple, which is the largest bank that I am the chief executive officer of, is probably—I am recalling now—in the range of \$3 to \$5 million.

The CHAIRMAN. Now you have said you hoped to increase small business' participation in the Bank.

As a Texas banker, how many small businesses did you assist in doing business with the Eximbank? I take it from your previous answer you did not assist small businesses in that way, or did you?

Mr. ALLEN. That is correct.

The CHAIRMAN. Now was there any particular reason why you didn't get small businesses interested in the export business?

Mr. ALLEN. Well, Mr. Chairman, I feel that this is one thing about my coming to the Export-Import Bank that will be an additional value. It will be the fact that I have been a banker in a community that I consider aggressive, it is one of the fastest growing Standard Metropolitan Statistical Areas in this country, and I feel, because I was there and involved in trying to aggressively pursue every opportunity and was not in touch with the Eximbank, that now that I come to the Export-Import Bank. I can look back and turn around and say here are the possibilities, here is where you can work, here is what can be done.

The CHAIRMAN. I think that may well be the case. But I wanted to know whether there was any specific concrete example of where you had actually taken steps to get small business involved in the export business?

Mr. ALLEN. No, sir.

The CHAIRMAN. In your statement on your qualifications, you say:

To the extent that international financial activities involve considerations not present in domestic banking. I believe my background will enable me to understand and deal with such matters.

What considerations does international financing involve which are not present in domestic banking? What did you have in mind?

Mr. ALLEN. I can't tell you for sure, Mr. Chairman. I just feel because of my background in banking, my knowledge of credits, and the fact that I am a banker, a commercial banker, and I have had wide experience, I feel that what does come up at Exim, that is not in this particular line, that I will be able to make that transition with the help of the staff there, with the help of the supportive people, and become acquainted with what needs to be done in a short amount of time.

The CHAIRMAN. Mr. Allen, when Eximbank decides to extend export credits, guarantees, and insurance, it must consider carefully the credit worthiness of foreign borrowers and the country risk exposure of the Bank. Senator Heinz touched on this. An analysis of country risk requires knowledge of foreign economies, foreign policies. Is that not true?

Mr. ALLEN. That is correct.

The CHAIRMAN. Now in which foreign countries does the Eximbank have its greatest exposure?

Mr. ALLEN. As I recall from my briefings, Mr. Chairman, Eximbank is doing business with well over 100 countries. I know that there are several countries in which they have substantial exposure. I can not recall at this time which one is the country where the greatest exposure is.

The CHAIRMAN. Do you remember any of the ones where the big exposure is?

Mr. ALLEN. I think there is large exposure in—I haven't gone into this specific aspect too much. As I think back over some of the information that I have reviewed, Korea comes to mind, Brazil comes to mind. Perhaps I should stop there.

The CHAIRMAN. You are right, Brazil and Korea are among the top. In addition, Mexico, Spain, Taiwan, Malaysia, and others.

Mr. Allen, you mentioned in your statement, regarding your qualifications, that you have an understanding of when a loan has exceeded the limits within which a private lender can operate.

The Eximbank is a public agency, not a private lender. Do you believe that the lending limits which would apply to private banks should apply to the Eximbank, and in particular should the limits on national bank loans to a single borrower, with respect to foreign public agencies, be applied to Eximbank loans to foreign borrowers?

Mr. ALLEN. Well, I think perhaps there is some difference there. Eximbank could operate in a different way from a regular commercial bank.

I am impressed with some of the things that the Government has sponsored that have been particularly helpful to this country, and that have been sort of a wedge, that went ahead to show private enterprise what can be done, because private enterprise must always be responsible and concerned about that bottom line of profit. And they come to task immediately on that.

So I have seen times where private enterprise perhaps because of these among other factors, would not go in. And yet the Government went ahead.

I think specifically about the program of the rural water system, and what it has done for this country.

So I would say that perhaps there is an area that Eximbank can go forward on that would be in a way a form of leadership.

The CHAIRMAN. Well, you see what has actually happened is there is just no connection between the Eximbank's limits and the limits that are imposed on our domestic banks, 10 percent of capital and surplus. Every one of the 11 principal countries here are well in excess of that, far in excess.

As a matter of fact, the loan to Mexico, \$1.8 billion, and 10 percent of capital surplus would be only \$250 million. There are many others that are in the same category.

Mr. Allen, you will be involved especially in Eximbank's guaranty and insurance program. Should Exim continue to support exports to South Africa?

Mr. ALLEN. My position at this time, Mr. Chairman, is that I am very sensitive to human rights, and I would not be a supporter of doing business with a country that violates its human rights as perhaps the description suggests. I would in certain areas like to look at it on a case-by-case basis to see if the loan in fact reached into the people, if it finally vested with the people of that country and had something to do with their standard of living, their opportunities for freedom, their opportunities for progress.

The CHAIRMAN. What is your response to the question whether or not we should continue to support exports to South Africa through the Export-Import Bank?

Mr. ALLEN. I think the exports are controlled at this time. If you want a brief statement on it. I would say at this particular time that serious consideration should be given to not doing business with South Africa.

The CHAIRMAN. I see. Now the Bank has become a major factor in foreign energy development. What factors other than purely financial factors should the Bank consider in supporting foreign energy development?

Mr. ALLEN. I think, as I understand it from the briefings that I have had, the foreign energy development—I presume you are including like nuclear projects, specifically, or others also——

The CHAIRMAN. Among others.

Mr. ALLEN. Among others. Well, I am in favor of developing energy sources. I think the future depends to a great extent on our development of energy sources. We must have all of the energy that we can put together.

The CHAIRMAN. Are there any particular factors we should consider in whether we go into a particular country or not?

Mr. ALLEN. Well is it——

The CHAIRMAN. Let me suggest, how about the Soviet Union?

Should we, for instance, finance energy development in the Soviet Union? That has been a controversy at the Eximbank, as you may know.

Mr. ALLEN. I would want to look at that one very carefully, Mr. Chairman.

The CHAIRMAN. Why shouldn't we consider two elements particularly, access, that is, whether or not we can get some of those energy resources ourselves, and pricing, whether or not we can get them at a reasonable price?

Mr. ALLEN. I think that is splendid.

The CHAIRMAN. The administration is requesting a 5-year extension of the Exim statute and an increase in the credit ceiling from \$25 to \$40 billion. That would be a tremendous increase in your ability to loan.

What is there to justify such an enormous increase in the Bank's authority?

Mr. ALLEN. It seems to me that some type of research, predictions, forecast, has to be made in terms of what is in the so-called pipeline at this time down through the immediate years ahead. And this judgment has been made that this kind of volume of export business will be or could be available through the Export-Import Bank.

The CHAIRMAN. That would be a big policy decision. But you feel it is necessary?

Mr. ALLEN. Yes, sir.

The CHAIRMAN. Should the Eximbank guarantee program be expanded relative to its direct loan program, that is, the guarantee program be expanded relative to the direct loan program? That was the policy recently, as you no doubt know. Why not continue that policy?

Mr. ALLEN. Would you mind repeating that question, please?

The CHAIRMAN. Yes, sir. Should the Eximbank's guarantee program be expanded relative to its direct loan program? That was the policy in the past, to emphasize the direct loan program.

Mr. ALLEN. Yes. Well, I think the guarantee program is a good one. At this time my opinion would be that it would be reasonable to not try to keep it from expanding, and see what the opportunities are for expansion.

The CHAIRMAN. Under what circumstances should the Eximbank use its financial guarantee, rather than a direct loan?

Mr. ALLEN. Well, in terms of leverage of your total investment picture, the guarantee does not require the use of Eximbank dollars.

The CHAIRMAN. Under what circumstances would that be desirable?

Mr. ALLEN. Well, I think that is desirable so we don't have to use U.S. Government dollars to do that with; we can simply guarantee a loan and take a fee for it, and do the same thing.

Senator TOWER. Would the chairman yield at this point?

The CHAIRMAN. Yes indeed.

Senator TOWER. It seems to me the line of questioning that is being pursued presumes some experience and expertise that I don't think we should expect a new appointee to have in a situation like this. I

would not think it quite fair for us to try to elicit views on policies and procedures from Mr. Allen, until he has had an opportunity to get into the job. Once he gets into it, he can come down here and account for what he does.

The CHAIRMAN. I am very sensitive to that. Of course, as I indicated, Mr. Allen's predecessors have been very experienced men, who have been able to bring a great deal of expertise into this particular area.

I concede Senator Tower's point, that Mr. Allen has had fine domestic experience, but I think it is important, and I think this is going to weigh with some members of the committee, as to how they vote, as to whether Mr. Allen can bring to this job the kind of knowledge and experience that will enable him to step right in there and do the job right away without on-the-job-training.

After all, this is a position of great importance, a very serious controversy, and that is why this line of questioning is being pursued.

I think members will want to look at the record and make up their minds.

Senator Riegle indicated some concern about this, Senator Heinz, of course, has. And other Senators have talked to me, who aren't here this morning, who indicated they wanted this line of questioning pursued for this particular reason.

Mr. Allen, Eximbank interest rates were recently reduced. There have been hints of further reductions.

How large a margin must the bank maintain between its interest rates and its cost of funds, that is, its Federal borrowing rate, in order to remain financially self-supporting?

What I am talking about is with the interest rates generally rising, the cost of money to the Federal Government rising, and Eximbank's rates falling in order to be maybe a little more competitive, you get a squeeze here, and you may not be able to operate in the black.

What is your feeling about that?

Mr. ALLEN. Well, I think, as you commented briefly there, the problem we are faced with is staying competitive and yet not operating out of the black. So that point must be approached as closely as possible by reducing rates where necessary to stay competitive or else we are not competitive. And if it is reduced to that point where it can be reduced no more, then we must seek another way to be competitive.

The CHAIRMAN. You said, with regard to your qualifications for the position of Vice Chairman and First Vice President of Eximbank that management and administration of the Eximbank is very similar to the organizational structure in which you have been involved.

I have here a functional directory of Eximbank, which identifies the various officers and departments which we will insert in the hearing record at this point.

[The document referred to follows:]



EXIMBANK FUNCTIONAL DIRECTORY

Export-Import Bank of the United States
811 Vermont Avenue, N.W.
Washington, D.C. 20571

202-566-2117
566-8834

Telex 89-461

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Adrian B. Wainwright	566-8834

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<i>DATA-PROCESSING</i>	
<i>Manager</i>	
Joseph Magyar	566-8790
<i>LIBRARY</i>	
<i>Librarian</i>	
Theodora McGill	566-8320
<i>Assistant Librarian</i>	
John R. Posniak	566-8897
<i>RECORDS MANAGEMENT</i>	
<i>Manager</i>	
Helene H. Wall	566-8815

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The CHAIRMAN. I notice there is a large division for direct credits and financial guarantees, which was organized by geographic regions of the world.

There is another major division for export credits, guarantees and insurance.

What is similar about the organizational structure with your banks in Texas?

Mr. ALLEN. Well, I think, as I said, there is a lending function, and loans, once again, of necessity must go through the same steps, whether they are these loans that are made for the sale of American products overseas, or whether they are made for the sale of American products in this country.

And it must be set up on the basis of application, qualification, decision on assurance of repayment. A lending institution that is involved in making loans may have different titles, but you are going to have credit files, you are going to have credit inquiries, this kind of language, this kind of activity is involved in making loans where you once again deal with those fundamental matters of credit.

The CHAIRMAN. Of course that is certainly the case. But I have a problem with that, because of the nature of the credit of the Eximbank. They, of course, have to put great emphasis on exporter credits, guarantees and insurance, direct credits, and financial guarantees, another division.

Can you provide for the record organization charts of the four banks you have run and the number of employees in each bank?

Mr. ALLEN. Yes; I can.

The CHAIRMAN. Mr. Allen, what is your analysis of the strength and weaknesses of the recently concluded international arrangement on guidelines for officially exported credits? That was February 22?

Mr. ALLEN. Well, I think that in the matter of—I presume you are talking about consensus now?

The CHAIRMAN. What is that, sir?

Mr. ALLEN. I presume you are talking about consensus?

The CHAIRMAN. This is the new version of it, yes.

Mr. ALLEN. I think we must continuously work with other nations in the export business, determining terms of credits, so that as much as possible we can keep this whole ballgame within some kind of framework, so it will continue to make sense and that we do not let our inability to work together cause more serious consequences in the area of competition.

The CHAIRMAN. Well, can you give us any specifics as to what the strengths of this consensus is?

Mr. ALLEN. The strengths are that it ties the matter of financing export business from all of the nations into some kind of a framework of interest rates and maturities. And a cooperation between those nations—I guess there are some 20 of them—cooperation between them and working together in a meaningful relationship of financing exports of countries.

The CHAIRMAN. What I had in mind is that the limits on the terms to a maximum of $8\frac{1}{2}$ to 10 years, minimum interest rates, $7\frac{1}{4}$ to 8 percent, that kind of thing.

Mr. ALLEN. All right, that is fine.

The CHAIRMAN. And 15 percent cash payment.

Mr. ALLEN. Correct.

The CHAIRMAN. Then the weaknesses? There are exceptions, it doesn't cover nuclear power, for instance?

Mr. ALLEN. Big ticket items.

The CHAIRMAN. And no restrictions on mixing foreign aid and export credit.

Mr. ALLEN. That is correct, mixed credits.

The CHAIRMAN. Should Eximbank provide local cost financing for overseas projects, and if so, how much?

Mr. ALLEN. Well, that is another matter of competition. If our competition is providing local cost financing, and we get up to the wire, and that is the difference, then I think this must be a consideration that we have. I would say in the range of a small percentage would not be unreasonable to think about, but, Mr. Chairman, I hope you will give me the advantage here of having this in the form of discussion with you, because I am conscious that this is done by other export-import banks, and that we may do it in certain instances, and it is a matter we must be conscious of as we go forward.

The CHAIRMAN. Should the Eximbank finance U.S. exports with a foreign content and if so, how much?

Mr. ALLEN. Once again, we are talking about competition. Because other nations of the world who have export-import banks do finance a certain amount of that, so we must see what the competition is.

I think at this time our foreign content is what I would refer to as *de minimus*. But if we, as we go forward, see that this once again is another factor in competition, we must give it serious consideration.

The CHAIRMAN. You put great emphasis on jobs as one of the principal advantages of the Eximbank, it promotes jobs, export jobs.

But obviously if it is foreign content, the number of jobs produced is that much less.

Mr. ALLEN. That is correct.

Senator TOWER. Would the chairman yield?

The CHAIRMAN. Yes.

Senator TOWER. I think the foreign content factor is sometimes an important factor in our being able to sell abroad. For example, in aircraft, the Rolls Royce engine makes it more salable in Great Britain. So I don't think you can establish hard and fast rules about that.

The CHAIRMAN. That may be. But after all, we sell 85 or 90 percent of the big aircraft abroad anyway, it doesn't really help that much.

Furthermore, we only finance about 8 percent of our exports through the Eximbank. The rest is in the private sector.

Of course, as you know, many domestic firms don't like it, labor unions don't like it for obvious reasons.

Mr. ALLEN. I will be very sensitive to that point, Mr. Chairman.

The CHAIRMAN. Now the Eximbank constitutes a subsidy to the export sector of the U.S. economy. Why should the U.S. subsidize the export sector relative to the domestic sector?

Mr. ALLEN. When you say subsidy, are you referring to, for example, the Eximbank as an independent agency—

The CHAIRMAN. It is a subsidy in the sense that if you didn't have the Export-Import Bank, it would be necessary for our exporters to get their credit in the marketplace, get it from the commercial banks, such as yours and other banks, particularly big banks that are in this business. And they would pay a higher rate, otherwise they wouldn't come to the Eximbank. They come to the Eximbank because they get a favorable rate. It is a subsidy in that sense. It is an allocation of credit to the export area rather than to the domestic area.

Mr. ALLEN. Yes; well, Mr. Chairman, my answer to that would be this: Let's say the funding of Eximbank is at \$1 billion, and let's say Eximbank's ability to borrow funds because of its full faith and credit of the U.S. Government puts it in a more favorable situation in interest rates. So Eximbank then pays a dividend to the Treasury of a certain amount every year, and then we compute that at what is a good return on this \$1 billion.

And then there is a spread in there between what Eximbank pays the Government for money and what, if it did not have this advantage, it would have to pay other lenders. So it isn't money out of the pocket as such to the people of this country and to the Government, to Eximbank, but I can see how that might be viewed as a subsidy.

My hope would be that Eximbank would do that kind of job, would be so effective, would create enough jobs, would do the kinds of assistance in this area beyond where private capital can't go, that you, as chairman of this committee, and the other members of this committee, and the people of this country would say we think that is a good investment for us to be involved in, it is making jobs, it is helping us export things, it is a good deal.

The CHAIRMAN. Well, that is a fine statement, a very emphatic and clear statement. Nevertheless, you have the issue—and you are going to be followed by some eloquent witnesses who are going to appeal for more money for our cities and for housing and so forth. Obviously if we put credits on a big basis, as we are here, tens of billions of dollars, into financing exports, it means that that credit, with a limited amount of credit in our society, is that much credit that is not available for housing and for other purposes, which also creates jobs, on a substantial basis.

It is hard to understand why we should give particular preference to exports compared to some of the other appealing areas.

Mr. ALLEN. It would be a judgment called for as to why we do that. But I would think that if we looked at the fact that we are not really out any money, we are just using up availability so to speak—

The CHAIRMAN. That is true of many of our housing programs, and many other of our domestic programs.

Mr. ALLEN. Right. I would say it would be my hope, my intention, my energies would be devoted to insuring that this is a good investment for this country, and that when viewed from the position which I know you must take, as to deciding which way to go, that you would be comfortable with the decision, you would be confident about it and would be proud of the job that was being done and what was being created as a result of it.

The CHAIRMAN. Mr. Allen, I want to tell you I am very much impressed by you as a person. I think you are an intelligent man, you have excellent experience in domestic banking. But I am very troubled with the notion of whether or not we should put a man without any experience in foreign trade, without any experience in foreign international policies, without knowledge of the Export-Import Bank, or without having worked with the Export-Import Bank in any way, privately or in any other way, in this top position as one of the heads of it.

Nevertheless, I say that to in no way demean your character and your obvious intelligence and the excellent work you have done as a banker.

Senator Stevenson has some questions—gentlemen, we have a difficult position. Of course all 15 members of the committee are equal, have equal rating and rank, and position, but we have one member of the committee who is very anxious to be here to have you answer questions.

It is now 20 minutes to 11, I don't think we can detain these other witnesses longer. We won't hold your nomination up at all this way, but I would appreciate it if you could come back at 9 o'clock tomorrow.

We have another hearing at 9:30 tomorrow, and then that would mean he could ask you those questions. He feels very strongly about it, and I think his position on the nomination may hinge on the responses, so I think we should accommodate him.

Mr. ALLEN. I would appreciate the opportunity to return, Mr. Chairman.

The CHAIRMAN. Is that all right with you?

Mr. ALLEN. Yes, sir.

The CHAIRMAN. We appreciate that very much. The committee will stand in recess until that time, and resume now with our hearing scheduled for 10 o'clock.

[Thereupon, the hearing was recessed at 10:50 a.m., to reconvene at 9:00 a.m. the following day.]

[Biographical material on Mr. Allen follows:]

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: ALLEN HENRY KIPER
(LAST) (FIRST) (OTHER)
 Position to which nominated: First Vice President and Vice Chairman of the Board Date of nomination: 1-19-78
Export-Import Bank of the United States
 Date of birth: 24 July 1926 Place of birth: Dallas, Texas
(DAY) (MONTH) (YEAR)
 Marital status: Married Full name of spouse: Raye Virginia McCreary Allen
 Name and ages of children: Allen, Henry Kiper, Jr. 21 years
Allen, Irvin McCreary 20 years
Allen, Raye Virginia 17 years

Education:	Institution	Dates attended	Degrees received	Dates of degrees
	<u>Austin High School</u>	<u>1940-1944</u>	<u>Diploma</u>	<u>1944</u>
	<u>Southwestern University</u>	<u>1944-1945</u>		<u>Completed</u>
	<u>University of Texas</u>	<u>1945-1951</u>	<u>B.S., B.B.A.</u> <u>L. L. B.</u>	<u>all by 1951</u>

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Football Scholarship, University of Texas; Military Service Medals:

American, United Nations, Korean; Goodfellow at University of Texas

Cowboy Service Honorary, University of Texas; Student Senate.

University of Texas; Varsity Football Letter, University of Texas

and Southwestern University; Temple's Outstanding Citizen for 1968;

First Recipient Rex Braun Award from Texas Women's Political

Caucas, 1975.

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Texas Bankers Association, Treasurer (May 58 - Apr. 59) & Councilman (May 54 - May 57)
 Bell County Society for Crippled Children, Director (1955)
 Ex-Student's Association, University of Texas, Councilman (1960-1963), Life Member
 Beefmaster Breeders Universal, Director (1964) & Vice President (1965)
 Temple United Fund, Director & Officer, various times
 Temple Chamber of Commerce, Director, Officer (various times) & President (1970)
 Commanding General's Advisory Council, Fort Hood (1965-1970)
 King's Daughters Hospital, Board of Trustees (1971) and Treasurer, current
 Temple Cultural Activities Center, Director (1975-1977), Officer & President (1976-77)
 Arts and Science Council, University of Texas, current
 Longhorn Hall of Honor Court, current
 Texas Bar Association, current
 "T" Association, University of Texas, current
 Texas Arts Alliance, Governing Board, Executive Committee, current
 Texas Inter-scholastic League Foundation, Director, current
 Small Business Administration, Advisory Council, Dallas District, 1966
 Christ Episcopal Church, Temple, Vestryman, Senior Warden (1971), Layreader (1971-73)
 Christ Episcopal Day School, Board Member (1959-63) & Treasurer (1960-62)
 Episcopal Diocese of Texas (1965-67), Chairman, Department of Finance (1967)
 Episcopal Theological Seminary of Southwest, Trustee (1967-68)
 Friends of Scott and White Hospital, Bell County Council, current
 Bell, Lampasas, Mills Co. Bar Association, Member, current
 Soil Conservation Society of America, Member, current
 Texas Police Association, Member, current
 National Jogging Association, Member, current
 Association of the United States Army, Member, current
 Texas Far Bureau, Member, current
 The American Legion, Member, current
 Temple Quarterback Club, Member, current
 Civil Air Patrol, Member, current
 Salado Chamber of Commerce, Member, current
 Goals for Greater Temple, Chairman (1970)
 Texas Law Enforcement Foundation, Member (1965-67), President (1967-68)
 Temple I.S.D., Adult Education, Advisory Council, 1977-Current
 Friends of the Temple Public Library, Director, 1977-1978
 The President's Associates, University of Texas, Current
 1976 National United Nations Day Committee

employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

1961 to Present, Temple National Bank, Temple, Texas, Chairman of the Board.

9-1-53 to 1961, Temple National Bank, Temple, Texas, worked as bookkeeper, teller, loan department, Vice President (loans), and Executive Vice President.

1-15-52 to 8-15-53, U.S.N.R., FPO, San Francisco, Ca., Gunnery Officer & 1st Lt.

7-1-51 to 1-15-52, Farmers & Merchants State Bank, Ballinger, Texas Operations

During Law School, Texas State Bank, Austin, Texas, Note Department

1961 to Present, Farmers & Merchants State Bank, Ballinger, Texas Chairman of the Board

1961 to Present, First State Bank, Rogers, Texas, Chairman of the Board

1961 to Present, Ennis State Bank, Ennis, Texas, Director & Vice President

1972 to Present, American Founders Life Insurance Co., Austin, Texas Director

1973 to Present, First International Bancshares, Inc., Dallas, Texas Director

employment
experience:

List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

Assistant Calendar Clerk, State House of Representatives, Austin,
Texas for two sessions during the late 1940's.

published
writings:

List the titles, publishers and dates of books, articles, reports or other published materials you have written.

None

political
affiliations
and activities:

List all memberships and offices held in or financial contributions and services rendered to all political parties or election committees during the last 5 years.

Life-long active Democrat with numerous contributions up to \$100.00
to various candidates.

Jimmy Carter - \$150.00

Bill Hobby - \$100.00

John Hill - \$200.00

Bell County Democratic Com. - \$100.00

Jim Mattox - \$125.00

Bob Poage - \$150.00

Qualifications: State fully your qualifications to serve in the position to which you have been named.
(attach sheet)

Future employment
relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Yes

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

None

3. Has anybody made you a commitment to a job after you leave government?

No

4. Do you expect to serve the full term for which you have been appointed?

Yes, at the pleasure of the President.

Potential conflicts
of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

First International Bancshares Inc.

Anderson, Clayton & Co.

QUALIFICATIONS FOR POSITION

My experience for the last 25 years has been in banking. For the last 16 years, I have been Chairman of the Board and Chief Executive Officer of three banks. I have attended in excess of 700 bank board meetings during my career.

At the present time the three banks of which I am Chairman have total assets of approximately \$100,000,000. A principal concern for me has been the proper and successful investment of these funds. I have functioned as a loan officer handling all types and amounts of loans. I have worked with the Small Business Administration and believe that I have an understanding of when a loan has exceeded the limits within which a private lender can operate. My direction of analysis, supervision and satisfactory payment of credits has consumed a major portion of my time.

As First Vice President and Vice Chairman of the Board of Eximbank I feel that I can perform a valuable and effective service, because of my experience, in evaluating direct loans, insured loans and guaranteed loans; that I will have particular concern for small business participation in Eximbank; that I will have an experienced judgment in the matter of when a proposed credit should be handled by private capital rather than the Export-Import Bank; that the management and administration of Eximbank is very similar to the organizational structure in which I have been involved.

I believe that the basic principles of banking are as applicable in the international operations of the Export-Import Bank as they are domestically and to the extent international financial activities involve considerations not present in domestic banking, I believe my background will enable me to understand and deal with such matters.

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

None

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

I will disqualify myself from participation in any case involving
First International Bancshares, Inc. or any bank which is a member
of F.I.B. (See list of banks attached and memo showing current

activity). After confirmation by Senate and within a reasonable period of time I will sell Anderson, Clayton & Co. shares (60 days). I shall also disqualify myself from any case involving a company in which I own shares regardless of whether the stock is listed or unlisted.

MEMORANDUM

January 11, 1978

To: E. K. Allen

From: W. W. Glick *WJ*

In reviewing your statement of financial interests, we discussed your ownership of stock in First International Bancshares Inc. The attached list which you gave me sets forth the banks which First International Bancshares owns and intends to acquire. As you know, under United States laws and Eximbank's regulations, you must disqualify yourself from participation in any case involving any of those institutions as well as any other entity in which you may hold a financial interest.

We have examined our records and find that Eximbank has done business with First National Bank in Dallas and First International Bank in Houston. Active cases involving First National Bank in Dallas include five guarantees aggregating approximately \$813,000 and eight discount loans totaling about \$7.2 million.

Regarding First International Bank in Houston, there are three guarantees totaling about \$842,000.

January 11, 1978

FIRST INTERNATIONAL BANCSHARES INC.,
a holding company which owns the
following banks:

1. First National Bank in Dallas, Dallas
2. First International Bank in Houston, Houston
(formerly Houston Citizens)
3. Temple National Bank, Temple
4. Alamo Heights National Bank, Alamo Heights
5. American Bank of Commerce, Victoria
6. American Bank and Trust Company, Dallas
7. Bank of Alameda, Houston
8. The Bank of El Paso, El Paso
9. Citizens National Bank in Abilene, Abilene
10. The Dallas County State Bank, Carrollton
11. Exchange Bank, Houston
12. First Hutchings Sealy National Bank, Galveston
13. First International Bank in El Paso, El Paso
14. First National Bank in Cleburne, Cleburne
15. First National Bank, Harlingen
16. The First National Bank of Odessa, Odessa
17. First State Bank of Bellaire, Bellaire
18. Grove State Bank, Dallas
19. Main Bank and Trust, San Antonio
20. Nassau Bay National Bank of Clear Lake, Clear Lake
21. North Austin State Bank, Austin
22. Park Cities Bank and Trust Company, Dallas
23. Southwest Bank and Trust Company, Irving
24. The State National Bank of Denison, Denison

PENDING

1. Beaumont State Bank, Beaumont
2. Peoples State Bank, Baytown
3. Texas State Bank, Abilene

NOMINATION OF HENRY K. ALLEN

WEDNESDAY, MARCH 15, 1978

U.S. SENATE,
COMMITTEE ON BANKING,
HOUSING, AND URBAN AFFAIRS,
Washington, D.C.

The committee met at 9 a.m., in room 5302, Dirksen Senate Office Building, Senator William Proxmire (chairman of the committee) presiding.

Present: Senators Proxmire, Brooke, Tower, and Garn.

OPENING STATEMENT OF SENATOR PROXMIRE

The CHAIRMAN. Mr. Allen, we are happy to have you back and I apologize again for having a second session.

Senator Stevenson, frankly, was the Senator who was anxious to question you further. He can't be here this morning but I will ask questions on his behalf and then I have a question at the end that you might respond to and I think that should wrap it up unless other Senators unexpectedly come in and have further questions.

Mr. Allen, do you feel that the data currently available on the credit worthiness of the nations and from institutions and businesses throughout the world is adequate?

Mr. ALLEN. Mr. Chairman, you're speaking with reference to country-to-country loans and the credit that is available in those countries?

I have not been briefed on the quality of that credit by Eximbank. I would presume that the agencies of the U.S. Government are doing the best job that they can at this time, that the State Department, and I think the CIA, are keeping the best records they can and getting the most information they can in determining the status of these countries. But I can't speak directly to the quality of the credit of any country.

The CHAIRMAN. Well, I wonder if you have any thoughts as to how better and more adequate data could be obtained and then disseminated.

Mr. ALLEN. I can't say what I would recommend in addition to what the State Department and the other agencies are doing. I would think that they are pursuing this matter continuously. It's of tremendously important concern to the United States to know the financial conditions of these countries and that reaches into monetary problems, and I would just presume that an adequate job is being done. After I'm at the Eximbank and explore this matter, if something does occur to me or my investigation encourages me to make some kind of recommendation, I certainly shall.

The CHAIRMAN. By and large, our capital markets are the most advanced in the world, are the most widely respected, and therefore I think it's a reasonably fair assumption that other countries' credit information would not be as comprehensive, as accurate, as reliable as ours is.

Mr. ALLEN. I'm sure that's true in certain countries and in other countries I imagine that they have a substantial amount of credit information.

The CHAIRMAN. Senator Bentsen has arrived. Senator Bentsen, your statement was referred to twice at some length yesterday. I referred to it and then Senator Riegle read it in full and put it in the record. I put it in the record once and he put it in the record twice. So in your absence we have been very conscious of your interest in the nominee and your support of the nominee.

Senator TOWER. You were referred to more than I was and I was here.

STATEMENT OF LLOYD BENTSEN, U.S. SENATOR FROM THE STATE OF TEXAS

Senator BENTSEN. Mr. Chairman, I am just here to attest to everything that was said yesterday about this witness. I apologize to you, Mr. Chairman, for not being able to be here. I was back in Texas, but I'm pleased to be here now, not to testify at length because that's already been done, but to tell you of my great degree of confidence in this man and his ability and his integrity.

We used to sit on the examining committee, a loan committee, for a couple of banks. I know how important it is to have people who have that kind of practical experience, to see the kind of collateral we have for those loans, the kind of maturities, and I think that the taxpayers are finally going to see their investment returned through the Eximbank.

The CHAIRMAN. Thank you very much. We appreciate your coming in.

Senator BENTSEN. If you will forgive me, I'm going to chair another hearing.

The CHAIRMAN. Very good.

Mr. Allen, what financial data is needed for bankers—and I'm continuing with Senator Stevenson's questions that he suggested I ask—what financial data is needed for bankers, including the Eximbank, to make intelligent decisions on countries' creditworthiness? This is related, of course, to countries as distinguished from a business in a country or from a domestic business.

Mr. ALLEN. While I have not been briefed at Eximbank on this specific matter, I would think there are many things that would be terribly important—the assets of a country, the liabilities, the history of the country basically, once again, in very broad terms, would be those important things that must be considered.

The CHAIRMAN. Can a country, like a private company, be viewed as possessing an external balance sheet, a liquidity position, an income statement, a cash flow? And, if so, how would you apply each of these concepts to judging a country's creditworthiness?

Mr. ALLEN. Well, would you state that again for me, please?

The CHAIRMAN. I'll go over each one and maybe you can give your opinion on each. The question is: Can a country, like a private company, be viewed as possessing an external balance sheet? That's the first one.

Mr. ALLEN. Well, my answer would be I would presume so, but I must say again, Mr. Chairman, that I have not been briefed at Eximbank on this country-to-country matter. I would think that information on these matters that you have mentioned would be available to those agencies that are right on top of them and that there are means of determining at least in a general way, in a way that would put you in a position to make a judgment, the creditworthiness of a country.

The CHAIRMAN. Would it be reasonable and practical to view a country as having a liquidity position, as you view a company?

Mr. ALLEN. My opinion of that is yes.

The CHAIRMAN. How about an income statement?

Mr. ALLEN. Well, I would think that you could determine the ability of a country to pay.

The CHAIRMAN. Well, of course, an income statement would relate to ability to pay, but it might have other indications too. A cash flow?

Mr. ALLEN. That's correct.

The CHAIRMAN. You think that you can view a country as having a particular kind of cash flow?

Mr. ALLEN. Well, I think perhaps we are getting into a monetary area here. I haven't attempted to present that I have an expertise in this area, but I know that credits are made to countries and their ability to pay and their financial condition is determined, and I would think that with my background in banking and my understanding of credits that I can make this transition and will understand the factors in terms they are talking about.

The CHAIRMAN. I think what Senator Stevenson is getting at is related in the last question. When you take all these things—the balance sheet, the liquidity, the income statement, the cash flow—how would you apply each of these concepts to judging a country's creditworthiness as compared to judging a company's creditworthiness?

Mr. ALLEN. I think the facts will reveal the country's ability to perform and that's what we are doing always, is determining in a credit situation—

The CHAIRMAN. How would you differentiate? One of the things that would strike me here is with respect to a company you get these particular ingredients. You and I are both used to dealing with these various instruments—the balance sheet and so forth, income statement—and we can make an evaluation of a company's creditworthiness, and in a country you have a political factor that may be different—the stability, the political stability of a country, the will of the people who happen to be in power as to whether or not they will pay and all that kind of thing, their defense position, whether or not they are stable in that way. Wouldn't these other elements also be significant?

Mr. ALLEN. Yes, sir.

The CHAIRMAN. Now if the lesser developed countries get in trouble paying their debts. What should the Eximbank do? Should it press

for immediate payment and get whatever it can, or should it reschedule its outstanding loans to the country in question?

Mr. ALLEN. Well, I think that once again we look at what general practices are followed, and that is, you always do the best you can under the circumstances. I think you would once again look to see what the facts are in each individual case.

Senator TOWER. In other words, you would look at each one on an ad hoc basis rather than making a general rule that's generally applicable because of the different situations that could vary.

The CHAIRMAN. Senator Stevenson asks what do you think of the Paris Club approach wherein all the official creditors get together and agree among themselves on whether official loans should be rescheduled and, if so, the terms?

Mr. ALLEN. I have no comment on that, Mr. Chairman. I have not been briefed on that particular point. I can speak, I guess to the general idea, but not specifically on the Paris Club because I have not been briefed on that point.

The CHAIRMAN. Do you feel there should be comparability of treatment of the private and official creditors in such rescheduling?

Mr. ALLEN. Well, an important factor at the Eximbank is to determine the reasonable assurance of repayment, and I think that must be looked at in each case of credit and I think it's looked at in terms of a country-to-country credit surely—

The CHAIRMAN. The question is whether or not there should be comparability. In other words, whether you should equally treat the claims of a country and the claims of a bank? For instance, if a particular bank in France or England had a claim on a country, how would you feel that that should be treated as compared to a claim that a country had as contrasted with a private company? Should private credit be given the same treatment equally or should it be given preference or should it be in a subordinate position?

Mr. ALLEN. I have always tried to use a standard of fair treatment in making judgments of this kind, and I would think that there might be political aspects of a country-to-country loan and there may be a range of considerations that we might call political in noncountry loans.

The CHAIRMAN. Are you familiar with the case of Zaire and the difficulties in that situation of obtaining comparable rescheduling between private and public creditors?

Mr. ALLEN. I have not been briefed on that, Mr. Chairman.

The CHAIRMAN. In your judgment, is Eximbank presently competitive with other governmentally supported export finance agencies?

Mr. ALLEN. I think in certain areas they are. In certain areas perhaps they are not.

The CHAIRMAN. Would you like to indicate where you think that they are competitive and where they are not?

Mr. ALLEN. Well, as we discussed yesterday, there are some aspects of making loans that other countries are using that the United States is not using. I think perhaps in interest rates we are competitive. I think there are some mixed credits by other countries. I think other countries Eximbanks are covering "local costs" in foreign countries and the United States is not completely competitive in this area. Those are several areas that I would mention.

The CHAIRMAN. How could Eximbank become more competitive?

Mr. ALLEN. Well, at the present time we could look into these areas where other countries are being competitive. My personal feeling—opinion at this time—is that we need to continue to make loans on the basis that we are presently operating under and if we find that we cannot be competitive because there are aspects of credit situations that are permitting other countries to get the loans, then we must relook at what standards we are using and we must adjust on that basis.

The CHAIRMAN. Which countries do you feel are beating the Eximbank on head-to-head competition and on what basis are they doing so?

Mr. ALLEN. Well, I can't say that I have been briefed indepth enough to say which ones. I think about the record that's revealed in countries like Japan. I would think Japan is doing an effective job with its Eximbank. I think that Germany would be doing a good job with its Eximbank. I would think that Korea perhaps would be doing a good job with its Eximbank.

The CHAIRMAN. What's your view of the current U.S. restrictions on East-West trade?

Senator TOWER. Would you yield at that point, Mr. Chairman?

The CHAIRMAN. Yes.

Senator TOWER. What you're talking about here is what countries seem to beat us in international sales because of favorable financing arrangements, but I would have to note that they have considerably more freedom and more aggressive government policy on exports than we tend to have so we operate under restraints that ordinarily they don't operate under, and I don't think we can lay that on the door of the Eximbank. I think that's a matter of policy.

The CHAIRMAN. Well, that may well be. On the other hand, in France and Germany and other countries it may well be that one ingredient in the advantage, one particular ingredient, a possibly decisive ingredient in their advantage is their credit arrangement.

Senator TOWER. Well, I would suggest that this is a proper matter for the committee to have a look at some time and let's see and examine the reasons why we are being beaten competitively, all other things being equal, given the quality and the price of the products or goods and services—that perhaps we ought to be paying attention as a committee to what we could do to become more competitive.

The CHAIRMAN. There's no question, for example, with respect to Japan that they have, as was pointed out to this committee, a kind of divided economy in which in their domestic economy they charge very high prices to their people and in their export economy they deliberately crowd in all their best resources and their most efficient operations.

Senator TOWER. You can buy a Sony television set cheaper than a citizen of Tokyo can.

The CHAIRMAN. What I'm trying to get at here is the particular contribution Eximbank can make. Let me proceed.

Mr. ALLEN. Mr. Chairman, may I add just one other factor there? That is, a number of these countries subsidize their Eximbanks directly and I think that is another factor in terms of how could we be more competitive. Not that I'm suggesting it. I just think it is an important factor in the whole Exim picture.

The CHAIRMAN. What's your view on the current U.S. restrictions on East-West trade as they affect the Eximbank? I'm talking about the trade between the Communist countries behind the Iron Curtain and this country.

Mr. ALLEN. I'm not uncomfortable with the provisions that restrict trade at this time.

Senator TOWER. Well, would the Senator yield at that point?

The CHAIRMAN. Yes.

Senator TOWER. That is not a matter of policy made by Eximbank. That's a political policy.

The CHAIRMAN. Well, the way I put it was what is your view of the current U.S. restrictions in East-West trade as they affect Eximbank. In other words, I think Senator Tower is correct. I'm not just asking how you feel about those policies. And your answer is they affect Eximbank—that you're not opposed to those policies. You don't feel they interfere with Eximbank?

Mr. ALLEN. I'm not uncomfortable with those requirements at this time.

The CHAIRMAN. What is your view on looking at the broader test of looking at the foreign country's overall relationship with the United States; that is, judge a foreign country not only on emigration but also on human rights, its belligerency overseas, its arms policy and so forth? What's your view of such a suggestion as they affect the Eximbank?

Mr. ALLEN. Well, I have not been briefed in depth on these points, as you have mentioned, Mr. Chairman, but I am satisfied that the Congress of the United States has looked into these matters in depth and the judgment they have given as far as I'm concerned at this time are the best judgments that could be reached and I'm satisfied to go forward on that basis.

Senator TOWER. If you would yield, Mr. Chairman, I might suggest that this is a policy question to be resolved at a higher level than Eximbank.

The CHAIRMAN. Well, I think that's correct, but, of course, they do have an impact on the Eximbank and it's that part that I thought Mr. Allen might give us his views on and it would be useful in judging Mr. Allen's position.

The final question in relationship to that particular area that Senator Stevenson wanted me to ask you is, would such broader tests give us more or less leverage with the Soviet Union than others?

Mr. ALLEN. Pardon me?

The CHAIRMAN. Broader with respect not only to the emigration policies which, of course, we have incorporated into law at various times, but arms policy, belligerency overseas, human rights policies, and so forth.

Mr. ALLEN. Would they do what?

The CHAIRMAN. Would those broader tests give us more or less leverage with the Soviet Union. In other words, would they enable us to be able to have greater influence on Soviet Union policy generally? I think what he's getting at is the notion that we, as you know, use the Eximbank at times—it has been used to enable us to make export sales to the Soviet Union. The Eximbank has been used in

that respect and the question arises, should we provide a credit that would make it easier for the Soviet Union to buy on conditions that they have a different policy with respect to human rights or with respect to belligerency overseas or something of that kind, or do you think this should be separated from that?

Mr. ALLEN. As a general matter of policy, I think that the more lines of communications that can be kept open, the better the opportunity is for success in every area. What Eximbank is basically interested in doing is aiding in financing and facilitating exports, and if in the best interest of this country operating under those guidelines the doors need to be opened wider, then I would not be opposed to it.

The CHAIRMAN. How about the Eximbank financing for nuclear powerplants?

Mr. ALLEN. My personal feeling?

The CHAIRMAN. Yes, sir.

Mr. ALLEN. If after it has gone through all of what I call the check points of understanding what is going on in terms of the nuclear problem it gets down to Eximbank's consideration of whether the power is really needed and is the ability and the reasonable assurance of repayment there, then once again, we got basically to this matter of credit. The other matters I don't feel are really the judgments of Eximbank, but really some before the area of Eximbank's function.

Senator Tower. If the Senator would yield, I might suggest as a sign-off on the sale of nuclear plants and the financing thereof, it would be a decision made at the White House.

The CHAIRMAN. Yes. Of course, the Eximbank undoubtedly would have an opinion and advice for the President.

Senator Tower. I would think their opinion would be strictly to the economic aspects of it rather than the political aspects.

The CHAIRMAN. I think the Senator is right. That's the reaction I wanted to get from Mr. Allen. Well, I think Senator Tower puts it in the proper perspective.

In that connection, should the Eximbank finance nuclear powerplants in countries which are not members of the Non-Proliferation Treaty or which explode nuclear devices?

Mr. ALLEN. No.

The CHAIRMAN. You think we should not. Do you think Eximbank financing should be subject to the National Environmental Protection Act?

Mr. ALLEN. It seems to me that that matter is under some type of adjudication now and perhaps it might not be too well for me to comment on it. I think it's difficult—it would be difficult for the United States—pardon me—for Eximbank to meet certain requirements relating to environmental matters, but I hesitate to comment there, Mr. Chairman.

The CHAIRMAN. Do you think that the Eximbank credit is needed to finance Japanese purchases of raw cotton? Can't the Japanese Government and private banks finance this purchase without concessions to U.S. financing?

Mr. ALLEN. I think the Japanese Government has the capability to purchase cotton if those are the only considerations. If the Japanese Government or any government determines they want to finance a

purchase and they are either going to finance a purchase or they are not going to purchase it from you and you negotiate the matter as far as possible and you realize that if it is not financed then you lose the sale, I would hate to cause a hardship on American industry, American labor, American people, simply because we insisted upon cash and we didn't make the sale.

Senator TOWER. In other words, if you would yield, Mr. Chairman, we have to consider the competitive situation that's involved with a choice between American cotton and cotton from some other source?

Mr. ALLEN. That is correct.

Senator TOWER. We would want to try to stay competitive on the sale aspect.

The CHAIRMAN. Well, I think I have your answer then to the last part of this particular question. The last question is, will you vote against such loans in the future if you are confirmed?

Mr. ALLEN. Well, did I make myself clear previously, Mr. Chairman?

The CHAIRMAN. I think so.

Mr. ALLEN. I think the countries that can pay us should pay us if they say as a part of their condition of purchase that they want to finance it regardless, and if we do not finance it, then they are not going to buy from us, I will vote for—if you will let me be so presumptuous—I would vote to insist upon cash payment unless we can't make the sale otherwise. If it takes a sale on terms, so to speak, financing, then at that moment I would probably move over and say let's finance it.

Senator TOWER. If the chairman would yield, I have more than a casual interest in this since 75 percent of the Texas cotton crop is exported.

The CHAIRMAN. Yes. This was a matter of considerable dispute between the Eximbank and some members of this committee last time and I think the Eximbank has taken a position sympathetic to the export of cotton, but there was some question in the view of some of us as to whether that was necessary under all the circumstances.

What's your view of the current world financial situation in which Eximbank must operate? Do you agree with Senator Javits and others that unless we begin a process of involving the OPEC countries more directly in financing world debt and shifting their surpluses to more productive uses that the entire financial system may collapse?

Mr. ALLEN. Well, I haven't been briefed on what I consider a monetary problem like that, Mr. Chairman. I very seldom find myself in as pessimistic an attitude as to say something is going to collapse. As long as we are standing together and working hard, I think there's an avenue of opportunity and a way to do things successfully.

The CHAIRMAN. Can the U.S. banking system continue to function as the risk bearing layer in the recycling process with respect to the OPEC nations? What alternatives do we have?

Mr. ALLEN. I haven't been briefed on that, Senator.

Senator TOWER. If the Senator would yield at that point, it's a fact that the United States would probably have to recycle more petrodollars than is represented by its oil deficit because of the inability of other Western industrial countries to absorb it. As a matter of fact, the exchequer of the United Kingdom looked me straight in the eye

and said that was a responsibility we would have to accept because Britain couldn't bear her part of the load based upon her own economic situation at that time.

The CHAIRMAN. The situation may be a little different.

Senator TOWER. I'm sure it will be with the North Sea oil coming in because they will be in a better position to do so, but at that point in time, a couple years ago, they were not.

The CHAIRMAN. Of course, here the emphasis was on whether or not the OPEC countries, with their colossal surpluses, would be more involved in financing world debt and shifting the burden away from us.

Let me go on. What is your view of the so-called mixed credit packages, a combination of low interest rate development funds with officially supported export credits?

Mr. ALLEN. Well, I'm not opposed to that, but I'm not in favor of it either. Once I'm at Eximbank, that's a matter I will certainly give consideration to, but at this time I have no opinion on mixed credits in terms of change of interest rates.

The CHAIRMAN. Would you favor a soft loan window at Eximbank or actual combination with AID or other programs?

Mr. ALLEN. I would want to give that careful study, Senator.

The CHAIRMAN. Do you have any idea which countries such packages would be most important to?

Mr. ALLEN. Would you state that again, please?

The CHAIRMAN. For what countries would such packages be most important? That is, a package of low interest rate development, AID funds, and officially supported export credits.

Mr. ALLEN. I think that there seems to be established a pattern of those countries who are what we might call less developed countries that are getting some advantages on rate and term and so forth, and I would think that, once again, that kind of a package would—you look more favorably to a country that was having a more difficult time meeting its requirements.

The CHAIRMAN. Do you feel the United States would have to tie other noncredit programs into Eximbank financing to remain competitive? For example, Chairman Moore mentioned last week that the A-300 airbus sales were tied in with military sales, trade concessions, and so forth. Let me repeat the first part of that question.

Mr. ALLEN. No, sir. I think I have it. Thank you.

Well, we must stay competitive if we are going to stay in the Eximbank business. We must be competitive. This means to be flexible enough to see on a daily basis, on a weekly basis and on a monthly basis what is happening in this market and if it is determined that there is a new factor that's being introduced that we must be competitive with, then we either have to face the fact that we will be competitive in that factor or we won't be getting that business.

The CHAIRMAN. Let me ask you one final question, Mr. Allen, because I want to give you the final opportunity to say whatever you like.

You have been unable to answer or reluctant to answer most of the questions about Eximbank, international finance, and trade. Do you contend that the vice chairman of Eximbank need not be knowledgeable on these matters or that you should not be expected to be knowl-

edgeable on these matters before serving as vice chairman with a period of on-the-job training as it were?

Mr. ALLEN. Well, I think that as I have looked at Eximbank and have studied the matter that we are talking about once again, as I stated in my opening statement, we are talking about credits. I know as a banker among the many problems that you run into in banking, a problem of extreme importance and one you want to avoid if you possibly can is bad loans, and I think there are many loans at Eximbank that will be that type of credit with which I am familiar. There are many, many credits at Eximbank that are what I call commercial credits.

The point is to aid in financing and facilitate exports. So a sale of American products is made overseas and that credit comes into being and it is a matter of looking at the financial statement and the operating figures of whoever the purchaser is. In the area of making loans and studying credits, of understanding the language of banking, of working with the small business person in this country, of being highly concerned about employment, about industry, coming from a banking environment and knowing what it means to start a business, to build a business, to be competitive, I think that this will be a very natural thing for me to do and I don't mean to take away from some of the matters that have been mentioned, but I feel that it is extremely important at Eximbank to have people who have had credit experience.

Now we have people on the board at this time who have had international experience, but I say once again, when we talk about credits we are not talking about something that is different from a domestic loan in spite of the fact that the purchaser is not in the United States and that is where I have had over 20 years of experience.

I would like to point out that my record in banking involves the management and direction of approximately \$100 million in assets. Now I think a volume of assets of that size is not a real small item. I consider it substantial. We have carried a loan volume of around \$55 million at the bank that I'm principally chairman of the board of. On a recent examination of this bank we had a very, very small amount of loss. The doubtful column which is that next column over, which you are familiar with, was nothing. There were no loans listed as doubtful.

The community from which I come is one of the fastest growing standard metropolitan statistical areas in this country.

Senator TOWER. The fastest growing in Texas I believe. Is that right?

Mr. ALLEN. I think so.

The CHAIRMAN. It's got to be if it's the fastest growing in the country.

Mr. ALLEN. I think that my background, my understanding, my experience in the lending business, puts me in a position to go in as vice chairman and first vice president of Eximbank and do an effective job and be successful at it. In those areas in which I may not be completely familiar at this time, because of my record I can become familiar with them in a brief period of time, and I will do that and I will devote my whole energy to it.

The CHAIRMAN. Thank you very, very much, Mr. Allen. I might say that I'm most impressed with your very handsome family. You certainly do have a strong record as a successful banker in Texas, having been successful at four banks I believe, and as you say, your latest experience has been a substantial one.

We will have to give some consideration, however, to the fact that this is a particular assignment that does require a knowledge of international trade and international finance and the committee will just have to make a judgment. Certainly the very strong recommendations of Senator Tower and Senator Bentsen and Congressman Poage and Congressman Pickle will weigh heavily with all of us and I want to thank you very much for your good temper, the obviously thoughtful and careful way with which you have responded to our questions over 2 days.

Senator TOWER. I might note that I have been sitting on this committee on oversight of Exim for 17 years and I believe for sure I could not have answered all those questions to the satisfaction of the committee. As a matter of fact, I doubt if many people on the committee could give in-depth answers to all of those questions and I think what you have raised—or what Senator Stevenson has raised through you, is the fact that probably we on the committee ought to devote a little bit more time to a discussion and inquiry into Exim policies and determine if there's anything that we as a committee should do to modify the authorization for Eximbank in any way to meet some of the problems that have been illuminated through your questioning.

The CHAIRMAN. Thank you, Senator Tower.

Well, unless Senator Brooke or Senator Garn have questions, we want to thank you very, very much.

Mr. ALLEN. Thank you.

The CHAIRMAN. The committee will reconvene momentarily.

[Whereupon, at 9:40 a.m., the hearing was adjourned.]

