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United States Government Accountability Office
Washington, DC 20548

September 27, 2007

Congressional Committees

Subject: *Ex-Im Bank: The U.S. Export-Import Bank's Financing of Dual-Use Exports*

Since October 1994, the U.S. Export-Import Bank (Ex-Im) has had statutory authority¹ to provide loans, guarantees, and insurance to help finance U.S. exports of dual-use (military and civilian) defense articles and services, provided that it determines these items are nonlethal and meant primarily for civilian use.² These dual-use exports include such items as vehicles that are used by the military for civilian or humanitarian purposes. The legislation also requires us to report annually on the end uses of the dual-use exports financed by Ex-Im during the second preceding fiscal year—which, for the purposes of this letter, corresponds to 2005. Since we last issued a letter in 2001 reporting on Ex-Im financed dual-use exports, the enclosure to this letter provides detailed information regarding the dual-use exports financed during fiscal years 2002 through 2004.³

Ex-Im Did Not Finance Dual-Use Exports in 2005

In fiscal year 2005, Ex-Im did not finance any dual-use export projects. According to Ex-Im officials, dual-use items were last financed in 2002, and Ex-Im has not considered any requests for dual-use financing since then. The officials attributed the program's decline to a shift in Ex-Im's portfolio from transactions with governments to private sector transactions.

Agency Comments

We provided a copy of the draft version of this letter to Ex-Im's Engineering and Environment Division, which is responsible for monitoring end user compliance with dual-use requirements. The agency had no comments.

¹The Export-Import Bank Reauthorization Act of 2006 (P.L. 109-438, December 20, 2006) extended through September 1, 2011, provisions in 1994 legislation (P.L. 103-428, October 31, 1994) authorizing Ex-Im to finance certain dual-use exports. Under this legislation, Ex-Im can use up to 10 percent of its total annual loan, guarantee, and insurance authority to support the sale of these dual-use exports.

²According to Ex-Im officials, a dual-use export is eligible for financing if convincing evidence exists that the export is nonlethal in nature, the export will be used mainly for civilian activities, and the buyer or end user provides certification to that effect.

³GAO, *Export-Import Bank: The U.S. Export-Import Bank's Financing of Dual-Use Exports*, [GAO-01-1110R](#) (Washington, D.C.), August 31, 2001.

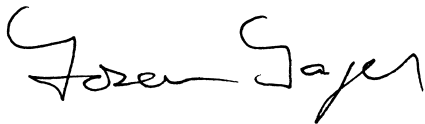
Scope and Methodology

To determine the extent of financing and end uses of the dual-use exports financed from fiscal years 2002 to the present, we reviewed Ex-Im documents and interviewed Ex-Im officials who monitor end user compliance with dual-use requirements, including the Vice President of the Engineering and Environment Division.

We conducted our work from July 2007 through September 2007 in accordance with generally accepted government auditing standards.

We are sending copies of this report to interested congressional committees. We will also send copies to the President and Chairman of Ex-Im, the Secretary of Defense, and the Secretary of State. We will also make copies available to others upon request. In addition, this report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at (202) 512-4347 or yagerl@gao.gov. The key contributors to this report were Anthony Moran, Assistant Director; Leah DeWolf; Karen Deans; and Ernie Jackson.

A handwritten signature in black ink that reads "Loren Yager". The signature is written in a cursive, flowing style.

Loren Yager
Director, International Affairs and Trade

Enclosure

List of Recipients

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Dual-Use Exports Financed by Ex-Im for Fiscal Years 2002-2004

In fiscal year 2002, Ex-Im financed four dual-use export projects for a total of \$24.6 million and processed an additional project that expired before it was financed.⁴ Ex-Im officials provided us with documentation for each of the 2002 projects showing that they monitored them to ensure their end uses were for civilian and humanitarian purposes. In fiscal years 2003 and 2004, Ex-Im did not finance any dual-use projects. (See table 1.)

Table 1: Dual-Use Exports Financed by U.S. Export-Import Bank, Fiscal Years 2002-2004

Dollars in millions

Fiscal year	Recipient country	Project	End user	Export value	Amount financed
2002	Venezuela	Refurbish aircraft used in support of civilian activities, such as assistance in the case of a natural disaster.	Venezuelan Air Force	\$0 ^a	\$0
	Venezuela	Aircraft repair parts and equipment for aircraft used for civilian and humanitarian missions	Venezuelan Air Force	8.5	7.2
	Venezuela	Engine and propeller repair services for aircraft used for civilian and humanitarian missions	Venezuelan Air Force	6	5.1
	Venezuela	Construction equipment (such as road construction maintenance equipment) to be used in support of road construction projects	Venezuelan Armed Forces	3.3	2.8
	Dominican Republic	Vehicles, helicopters, and training to assist the Dominican Republic in implementing a humanitarian relief program to provide civil services and assistance for natural disasters	Secretary of State of the Armed Forces	10.4	9.5
Total for 2002				\$28.2	\$24.6
2003: Ex-Im did not finance any dual-use projects				0	0
2004: Ex-Im did not finance any dual-use projects				0	0
Total 2002-2004				28.2	24.6

Source: GAO presentation of Ex-Im data.

^aAs noted above, this project expired before it was financed.

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⁴In fiscal year 2002, Ex-Im's 10 percent cap on dual-use financing was \$1.04 billion.

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