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EXPORT-IMPORT BANK

Key Factors in Considering Eximbank Reauthorization

Statement of JayEtta Hecker, Associate Director,
International Relations and Trade Issues, National
Security and International Affairs Division



Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss issues concerning the reauthorization of the U.S. Export-Import Bank (Eximbank). My statement today will focus on four key factors that the Congress might consider in debating Eximbank reauthorization:

- the rationales regarding the Eximbank's programs,
- foreign competitors' export finance programs,
- available options to achieve budgetary savings at the Eximbank, and
- the ways in which Eximbank's assistance is distributed.

My comments are based on the results from our current and past reviews of the Eximbank and governmentwide export promotion issues. (A listing of related GAO products is at the end of this statement.)

Summary

Proponents and opponents continue to debate the economic benefits of Eximbank activity to the U.S. economy and the extent to which it helps achieve U.S. trade and foreign policy objectives. The most compelling case that can be made for these programs is that they help "level the international playing field" for U.S. exporters and provide leverage to induce foreign governments to reduce export subsidies. Their overall contribution to U.S. economic performance is less certain.

Seventy-three countries have export credit agencies. However, about half of all export credit support worldwide is extended by the seven largest (Group of 7 (G-7)) industrial nations, each of which maintains various types of export finance assistance programs. Although considerable differences exist among these programs, they all help exporters compete for market share in developing markets by providing loans, guarantees, and insurance. The Eximbank provides similar types of assistance. The Eximbank also administers a tied aid capital projects fund (known as the "war chest") as part of its programs to counter other countries' trade-distorting tied aid practices. Tied aid is concessionary (low-interest rate) financing that is linked to the procurement of goods and services from the donor country. During 1994-1996, the Eximbank board of directors approved the use of war chest funds in 40 cases. Overall, the Eximbank financed about 2 percent of total U.S. exports in fiscal year 1995, the lowest level of support provided by G-7 nations' export credit agencies.

The Eximbank's programs require substantial levels of taxpayer support (about \$4 billion over the last 5 years). We recently completed a review of Eximbank activities and concluded that it could possibly achieve budgetary savings by raising fees or reducing program risks while still maintaining a competitive position relative to other export credit agencies.¹ These options would not require a change in law because they fall within Eximbank's present authority. However, we recognize that such changes should be considered within the full context of their trade and foreign policy implications and Eximbank's other statutory obligations.

The U.S. government's ultimate objectives continue to be reducing and eliminating export financing subsidies—allowing exporters to compete on the basis of price, quality, and service—not subsidized financing. The U.S. government continues to use international forums such as the Organization for Economic Cooperation and Development (OECD)² in its efforts to reduce and eventually eliminate subsidized export finance programs. We are encouraged that the OECD recently reached agreement to standardize and set minimum fees (beginning in 1999) for all member export credit agencies. This agreement has the potential to reduce government subsidies for these programs. However, given the growing importance of exports to national economic performance, and the belief that government export finance programs contribute to this performance, achieving the ultimate objective of eliminating all financial subsidies may prove difficult.

Regarding the ways its financing assistance is distributed, during fiscal years 1994 to 1996, the top 15 users (lead U.S. exporters or contractors) of Eximbank financing accounted for about 38 percent of the value of the Eximbank's financing commitments. While about 80 percent of its assistance went to support large and medium-sized companies, the Eximbank also reported that 20 percent of its assistance went to support small business during the same period. The Eximbank believes that these small business transactions would not otherwise have been financed by private lenders. In geographical terms, China, Indonesia, and Mexico were Eximbank's top three markets in fiscal year 1996.

¹See Export-Import Bank: Options for Achieving Possible Budget Reductions (GAO/NSIAD-97-7, Dec. 20, 1996).

²OECD, created in 1960, is a forum for monitoring economic trends and coordinating economic policy among 29 countries, including the United States, and serves as the forum for negotiating limitations on government export credit subsidies and developing guidelines for export-financing assistance programs. The OECD's "Arrangement on Guidelines for Officially Supported Export Credits," which was established in 1978, sets the terms and conditions for official export credits.

The Eximbank also supports the sale of dual-use (military and civilian) export items provided that the items are non-lethal and for primarily civilian use. The report that we are releasing today shows that dual-use exports constitute a small share of Eximbank's financing activities and remains well under the 10-percent cap established by law. In fiscal years 1995-97, the Eximbank made financing commitments totaling \$226 million—less than 1 percent of its total financing commitments made during that period—to support 10 dual-use exports to 4 countries. Our review indicated that the Eximbank appears to have established procedures that should provide a sound basis for determining whether these exports are nonlethal and primarily used for civilian purposes, as required by law.

Background

Created in 1934, the Eximbank is an independent U.S. government agency that operates under a renewable congressional charter that expires on September 30, 1997. In conducting its operations, the Eximbank must comply with several statutory requirements. The Eximbank is required to

- supplement and encourage, but not compete with private sources of capital;
- seek to reach international agreements to reduce government-subsidized export financing; and
- provide financing at rates and on terms that are “fully competitive” with those of other foreign government-supported export credit agencies (12 U.S.C. 635 (b)(1)(A)(B)).

Eximbank financing programs include

- loans to foreign buyers of U.S. exports,
- loan guarantees to commercial lenders,
- export credit insurance to U.S. exporters and lenders, and
- working capital guarantees for pre-export production.

Reflecting the growing move toward privatization in the developing world, the Eximbank has recently expanded its activities to include project finance. Project finance involves financing where repayment is provided through the project's anticipated future revenues rather than through sovereign (government) or other forms of guarantee.

Rationales Regarding Eximbank Programs

I would first like to briefly discuss the various rationales that have been advanced for and against government involvement in export finance. They provide a useful framework for evaluating whether Eximbank should be reauthorized. Supporters of the Eximbank export finance programs say that this assistance provides leverage in trade policy negotiations while helping to “level the international playing field” for U.S. business, corrects “market failures,” and helps to increase exports and employment. Opponents say that the Eximbank’s programs result in no net increase in national employment and output, misallocate resources, and are a form of corporate welfare.

Trade Policy Leverage

Supporters believe that the Eximbank helps U.S. companies compete against foreign companies that receive government support and provide leverage in trade policy negotiations. As already noted, the Eximbank is required to seek international agreements to reduce government-subsidized export financing. OECD nations, including the United States, have made gradual progress since the late 1970s in negotiating reductions in officially supported export subsidies, including a June 1997 agreement that requires export credit agencies to establish minimum fees based on country risk ratings. U.S. Treasury officials who participate in these negotiations told us that the Eximbank’s programs have provided them with leverage in negotiating subsidy reductions.

Industry Effects

Another case that proponents make is that markets do not always lead to an optimal allocation of resources and that so-called “market failures” provide an additional justification for government export finance programs.

The Eximbank claims that the following are examples of market failures:

- Private financial institutions may be unwilling to support exports to emerging markets even when the risk is correctly priced.
- Foreign buyers in certain markets may be unable to secure long-term financing for capital equipment.
- Finally, and probably the most often-cited example, is that small business exporters may have difficulty in obtaining export financing.

Opponents hold that there is no credible evidence that private capital markets do not function efficiently and that government intervention can potentially distort markets.

Employment and Trade Effects

According to the Eximbank, the exports it financed in fiscal year 1996 “supported or maintained” nearly 300,000 jobs.³ It is generally recognized that some jobs are directly supported through the Eximbank’s programs. However, economists and policymakers recognize that employment levels are substantially influenced by macroeconomic policies, including actions of the Federal Reserve. At the national level, under conditions of full employment, government export finance assistance programs may largely shift production among sectors within the economy rather than raise the overall level of employment in the economy. Hence, the jobs figure that the Eximbank reports may not represent net job gains in a period of full employment.

Eximbank programs cannot produce a substantial change in the U.S. trade balance.⁴ The trade balance is largely determined by macroeconomic conditions, such as savings and investment and the government budget deficit. According to the President’s Council of Economic Advisers, significantly reducing the trade deficit will require macroeconomic policy measures, such as eliminating the federal budget deficit.

Foreign Competitors’ Export Finance Programs

The six G-7 countries we studied—Canada, France, Germany, Italy, Japan, and the United Kingdom—all have export credit agencies, each with different roles and structures (see table I.1). According to *Euromoney*, a total of 73 export credit agencies now exist worldwide.⁵ The support the G-7 export credit agencies provide for their exporters can be measured in various ways.

In terms of the share of financing commitments extended by export credit agencies in 1995, the Eximbank ranks fourth: Japan, France, and Germany accounted for the largest shares. Japan extended over half (56 percent), followed by France (20 percent), and Germany (9 percent). The United States and Canada extended smaller shares—5 percent each—followed by the United Kingdom (3 percent) and Italy (2 percent).⁶

³See *Keeping America Competitive: 1996 Annual Report* (Washington, D.C.: Eximbank), p. 5.

⁴See *Export Promotion: Rationales for and Against Government Programs and Expenditures* (GAO/T-GGD-95-169, May 23, 1995).

⁵*Euromoney* publishes an annual survey of world export credit agencies.

⁶The United States and the six major industrialized countries we studied provided \$258 billion of the total \$553 billion in total export financing.

In terms of the percentage of national exports these export credit agencies have financed, the Eximbank is tied for last. In 1995, the Eximbank supported 2 percent of total U.S. exports (the latest year for which comparative data are available). This figure is at the bottom of the range of support provided by the other G-7 nations. In contrast, Japan's export credit agencies supported 32 percent of its country's exports in that year. France was second, with 18 percent. The support provided by Canada, Germany, the United Kingdom, and Italy ranged from 7 to 2 percent.

Comparing export credit agency programs is difficult for a number of reasons:

- Each nation has structured its export financing differently—there is no single export finance model. Export credit agencies in the six nations we studied function as independent government agencies, sections of ministries, or private institutions operating under an agreement with the government. Most of the countries we studied offered overseas investment insurance through their export credit agency. However, in the United States, in addition to the Eximbank insurance program, overseas investment insurance is offered through a separate agency, the Overseas Private Investment Corporation. (Table I.1 provides a summary of the principal differences between the Eximbank and the six export credit agencies we studied.)
- Unlike the Eximbank, which is prohibited by law from competing with private sources of capital, other export credit agencies appear to compete to varying degrees with private sources of export financing. For example, the Japanese government's export insurance provider is Japan's only export insurer. It reported that it insured about 28 percent (\$124 billion) of all Japanese trade transactions in 1995—the highest level of trade and investment insurance underwriting in the world (private or public). Similarly, Canada's Export Development Corporation does not function as a lender of last resort.
- Other export credit agencies we studied cover different amounts of political and commercial risks. Currently, the Eximbank provides 100-percent, unconditional political and commercial risk protection on most of the medium- and long-term coverage (coverage over 5 years) it issues. European export credit agencies (with the exception of the United Kingdom) generally require exporters and banks to assume a portion of the risks (usually 5 to 10 percent) associated with such support. This concept of risk sharing is a fundamental difference between the Eximbank and these export credit agencies.

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- Finally, export credit agencies use different budgetary and reporting standards, thus making it difficult to directly compare the Eximbank's program costs. The 1990 Federal Credit Reform Act (P.L. 101-508, Nov. 5, 1990) requires the Eximbank to estimate and budget annually for the total long-term costs of its credit programs on a net present value basis.⁷ Other nations operate on a cash basis⁸ and are not subject to similar budget requirements. Under this cash approach, a government reimburses an export credit agency for total cash losses sustained on its operations during the year. Moreover, costs reported may not always represent total expenses to the government. For example, Canada's Export Development Corporation uses a separate national interest account ("Canada Account") to support some export finance activity. The costs of this support are accounted for separately in its year-end reports. (Table I.2 provides information on the costs of the G-7 nations' export-financing programs.)

Export Credit Agency Costs Are Difficult to Compare

Although direct cost comparisons between Eximbank and other national programs are difficult to make, the available cost data we reviewed suggests that several export credit agencies in the six countries we studied have reported improved financial results. France, Germany, and the United Kingdom all reported positive financial results for their export credit agencies in 1995, the most recent year for which complete information was available. The Berne Union reported that among its member countries there was an aggregate loss of \$501 million in 1995 compared with \$6.5 billion in 1994.⁹ According to the Berne Union, this change was attributed to an improved global debt scenario and tighter export credit agency underwriting standards.

Opportunities for Achieving Possible Budget Reductions

As part of the reauthorization debate, the Congress may wish to focus on ways to achieve greater Eximbank operating efficiencies. In our recent report,¹⁰ we identified two options for reducing the cost of the Eximbank's programs while allowing it to remain competitive with other export credit

⁷Present value analysis calculates the value today of a future stream of income or expenses.

⁸Under cash-based budgeting, receipts are recorded when received and expenditures are recorded when paid regardless of the accounting period in which the receipts are earned or the costs incurred.

⁹The Berne Union is an association of 43 export credit insurance agencies that includes the G-7 nations' export credit agencies.

¹⁰See ([GAO/NSIAD-97-7](#)).

agencies: (1) raising the fees¹¹ charged for Eximbank financing and (2) reducing the risk of its programs by, for example, limiting program availability in higher risk markets or offering less than 100-percent risk protection. These options fall within its present authority and would not require a change in the Export-Import Bank Act of 1945, as amended.

Both of these options could result in significant reductions in the Eximbank's subsidy costs. To illustrate the potential savings associated with fee increases, we estimated that the Eximbank could have saved about \$84 million in fiscal year 1995 if had raised its fees to the mid-range of those charged by other export credit agencies. The second option, reducing program risks, would have resulted in larger subsidy savings in the same year—up to \$157 million—with only a slight effect on the overall level of U.S. exports supported with Eximbank financing. The Congressional Budget Office concurs with our assessment that subsidy savings could occur. Their work concluded that (1) increasing fees could save the Eximbank up to \$450 million over 5 years and (2) reducing program risks could save up to \$1.2 billion over 5 years.¹²

In our report, we acknowledged that these options could raise several trade and foreign policy issues that decisionmakers would need to address before making any changes in the Eximbank's programs. For example, a large share of the Eximbank's subsidy budget is spent supporting transactions to high-risk markets, such as the newly independent states of the former Soviet Union, that exhibit promising long-term potential. In fiscal year 1996, financing commitments for high-risk markets represented about one-fourth of total financing commitments yet absorbed almost three-fourths of the Eximbank's total subsidy budget.

Our report also stated that any proposed fee increases should be considered in the broader context of ongoing OECD efforts to negotiate minimum fee schedules and that the magnitude and timing of such an increase should take into account progress in these negotiations. Thus, we are encouraged by the recent progress made in OECD to establish minimum fees across all major export credit agencies. These new rules will take effect on April 1, 1999, and should help eliminate some of the trade distorting effects of subsidized export financing. Although many details of the new agreement have yet to be worked out, these new rules will likely

¹¹The Eximbank must set fees that are “fully competitive” with the pricing and coverage offered by other major export credit agencies.

¹²See *Addressing the Deficit: Budgetary Implications of Selected GAO Work for Fiscal Year 1998* (GAO/OCG-97-2, Mar. 14, 1997).

require the Eximbank to raise its fees for many transactions and could allow it to operate at reduced taxpayer cost.

Distribution of Eximbank Financing

During fiscal years 1994-96, the Eximbank provided an annual average of \$12.8 billion in export financing commitments (loans, guarantees, and insurance) at an annual average program cost of \$877 million. The Eximbank projects that it will provide about \$16.5 billion of export finance support in fiscal year 1997, an all-time high. (See table II.1 for a more detailed description of Eximbank's past and projected financing commitments and program costs.)

In fiscal year 1996, China was the Eximbank's top export market (\$1.2 billion), followed by Indonesia (\$825 million), Mexico (\$753 million), Trinidad and Tobago (\$632 million), and Brazil (\$488 million). (See fig. II.1 for a list of the Eximbank's top 10 markets and their associated program costs for fiscal year 1996.) Relative to total U.S. goods¹³ exported to these markets, the Eximbank supported about 11 percent of U.S. exports to China, about 22 percent of U.S. exports to Indonesia, about 1 percent of U.S. exports to Mexico, about 93 percent of U.S. exports to Trinidad and Tobago, and about 4 percent of U.S. exports to Brazil.

During fiscal years 1994 through 1996, the 15 most frequent users (lead U.S. exporters or contractors) of Eximbank financing accounted for about \$14.4 billion, or about 38 percent, of the Eximbank's total export-financing commitments made during that period (see fig. II.2). The export finance transactions involving these companies absorbed about 27 percent of the Eximbank's total program budget, or about \$682 million over the same period. These data do not capture the full range of U.S. companies associated with Eximbank-financed deals such as subcontractors and other suppliers.

While about 80 percent of the Eximbank's assistance was provided to large and medium-sized companies, about 20 percent (\$7.5 billion) of the Eximbank's financing commitments—about 79 percent of its total transactions—went to small business, primarily through its insurance programs.¹⁴ (See table II.2.)

¹³Department of Commerce data on service exports to these markets were unavailable.

¹⁴Since 1986, the Eximbank has been legislatively required to allot at least 10 percent of its financing authorizations to small business concerns as defined by the Small Business Administration regulations.

The Eximbank has participated in international (OECD) negotiations to limit the use of tied aid and has used its tied aid capital projects fund (also known as the “war chest”) to counter foreign countries’ use of tied aid. The OECD efforts have resulted in a decrease in reported international levels of tied aid—the annual average level of tied aid decreased from about \$10 billion in 1992 to approximately \$4 billion in 1995.¹⁵ During 1994-96, the Eximbank board of directors approved the use of war chest funds in 40 instances. (See app. III for a list of transactions in which tied aid funds were actually used.) The balance in the tied aid war chest was \$343 million as of June 30, 1997.

The Eximbank also supports the sale of dual-use (military and civilian) export items provided that the items are nonlethal and for primarily civilian use (see app. IV). The report that we are releasing today shows that dual-use exports constitute a small share of Eximbank’s financing activities and remains well under the 10-percent cap established by law. In fiscal years 1995-97, the Eximbank made financing commitments totaling \$226 million—less than 1 percent of its total financing commitments made during that period—to support 10 dual-use exports to 4 countries. Only one of these exports—involving aircraft parts and services to Indonesia—has actually been delivered overseas. Our review indicated that the Eximbank appears to have established procedures that should provide a sound basis for determining whether these exports are nonlethal and primarily used for civilian purposes, as required by law. In the spring of 1997, for the one dual-use export that has taken place, Eximbank officials, assisted by other U.S. government officials, were able to verify that it was primarily used for civilian purposes.

Since fiscal year 1993, the Eximbank has issued guarantees related to 25 project finance deals totaling \$6.4 billion (the estimated value of these projects was \$22.6 billion). In fiscal year 1997, the Eximbank estimates project-financing deals will account for about 30 percent of its total financing commitments (these deals accounted for about 14 percent of its assistance in 1996). (See table V.1.) Because these projects tend to be large, the Eximbank often shares project risk with other export credit agencies, the Overseas Private Investment Corporation, or multilateral institutions such as the International Finance Corporation.

Conclusion

In sum, the Congress may wish to consider Eximbank’s reauthorization within the context of the international competition. While the export

¹⁵Tied aid notifications occur through the OECD’s reporting mechanism.

credit agencies we identified operate under different mandates and are subject to different budgeting and reporting standards than the Eximbank, they all help their exporters compete for contracts in the world market. The costs of the Eximbank's programs need to be weighed against their benefits to exporters and the leverage they provide in international negotiations to reduce foreign government support for these types of programs. Our recent work identified some options—raising fees and reducing program risks—that the Congress may wish to consider in reducing the cost of these programs while still allowing the Eximbank to assist U.S. exporters and support efforts to reach additional international agreements to reduce export subsidies.

Mr. Chairman and Members of the Subcommittee that concludes my prepared statement. I will be happy to answer any questions you may have.

Comparison of G-7 Nations' Export Credit Agency Structures and Roles

Table I.1: G-7 Nations' Export Credit Agency Organizations and Roles

Country	Export credit agency	Public or private	Role
United States	U.S. Export-Import Bank (Eximbank)	Public, independent government agency.	—Statutory mandate to supplement and encourage, but not compete with, private sources of capital. —Receives a credit subsidy appropriation each year from the U.S. Congress.
Canada	Export Development Corporation (EDC)	Public, independent government agency.	-Some competition with private sector. -Aims to be financially self-sustaining.
France	COFACE provides export finance insurance and guarantees. BFCE provides interest-rate support on commercial bank loans	Private. Both COFACE and BFCE have recently been privatized. Government covers deficits incurred on state account activities.	— COFACE exercises a dual role by administering export-financing support on behalf of the French government and offering export finance assistance through its own programs.
Germany	Hermes, C&L Deutsche Revision, and KfW	Private consortium. Hermes and C&L Deutsche Revision jointly administer German export finance program on behalf of the state. KfW offers export loans to German exporters. Government covers deficits on state account activities.	—Hermes and C&L exercise a dual role by operating the government's export finance programs and offering export finance assistance privately.
Italy	Special Section for Export Credit Insurance (SACE) and Central Institute for Medium Term Credits (Mediocredito Centrale)	Public agencies.	—Some competition with private sector as Mediocredito Centrale also functions as commercial bank.
Japan	Export-Import Bank of Japan (JEXIM) provides financing. Export Insurance Division-Ministry of International Trade and Industry (EID-MITI) provides insurance	Public. JEXIM is an independent government agency. EID-MITI is housed in Japan's Ministry of International Trade and Industry.	— JEXIM aims to supplement and encourage commercial bank financing but not compete with it. —EID-MITI competes with private sector providers.
United kingdom	Export Credits Guarantee Department (ECGD)	Public, independent government department.	—Short-term business was privatized. —Has a specific mandate to break even financially.

Legend

BFCE = Banque Francaise du Commerce Extérieur

COFACE = Compagnie Francaise d'Assurance Pour Le Commerce Extérieur

KfW = Kreditanstalt für Wiederaufbau

Appendix I
Comparison of G-7 Nations' Export Credit
Agency Structures and Roles

Table I.2: Reported Financial Results of Government-Supported Export-Financing Programs in the United States and Six Competitor Countries, 1994-96

U.S. dollars in millions

Country	ECA	1994	1995	1996
United States ^a	Eximbank	(\$979)	(\$716)	(\$934)
Canada ^b	EDC	N/A	N/A	N/A
France	COFACE and BFCE	(\$503)	\$7	\$1,151
Germany ^c	Hermes/C&L and Deutsche Revision	(\$1,985)	\$38	\$605
Italy	SACE and Mediocredito Centrale	(\$1,501)	(\$1,821)	(\$822)
Japan ^d	JEXIM and EID-MITI	(\$80)	(\$113)	N/A
United Kingdom ^e	ECGD	\$29	\$362	N/A

Legend

N/A = Not available.

Note 1: There are several caveats with regard to how the numbers in this table should be interpreted. The type and nature of each nation's export credit agency (ECA) business varies in ways that ultimately influence its costs. In the case of Japan's Export-Import Bank, 44 percent of its fiscal year 1995 commitments were for loans not "tied" to Japanese exports, 37 percent were for overseas investment loans, and 8 percent for import loans. Only 11 percent of JEXIM's total financing in that year was reported to have been used for export loans. Where there are two ECAs, we have combined financial results.

Note 2: Amounts in parentheses indicate a deficit. Positive amounts indicate a surplus.

^aThe figures for the Eximbank represent the credit subsidy obligation and administrative costs obligated for the fiscal year.

^bCanada's EDC reported net income of \$171 million, \$44 million, and \$112 million in 1994, 1995, and 1996, respectively. However, these amounts do not include the support separately provided through the Canadian national interest account (\$200 million in 1996 but not available for 1994 and 1995). EDC conducts a significant (42 percent) level of business with Organization for Economic Cooperation and Development (OECD) nations, which influences its profitability.

^cThe totals for Germany include interest revenues from debt reschedulings.

^dThe Japanese fiscal year ends March 31. The figures for Japan's EID-MITI include direct transfers from the Ministry of Finance for Paris Club debt writeoff of \$272 million in fiscal year 1994 and \$233 million in 1995.

^eThe United Kingdom's fiscal year ends March 31. ECGD figures include amounts spent on foreign exchange insurance and interest rate subsidies.

Distribution of Eximbank Financing

Table II.1: Eximbank Financing Commitments and Program Costs, 1994-98

Dollars in millions

	Fiscal year				
	1994	1995	1996	1997	1998 ^a
Value of export financing commitments	\$14,886.4	\$11,864.9	\$11,516.9	\$16,521.7	N/A
Administrative costs	42.6	41.4	40.8	46.6	48.6
Estimated program costs	936.7	674.8	893.6	726.0	632.0
Total costs^b	\$979.3	\$716.2	\$934.4	\$772.6	\$680.6

Legend

N/A = Not available.

Note: The cost figures for 1994-96 are based on amounts obligated, while the 1997 figures represent the amount appropriated. Under the Federal Credit Reform Act of 1990 (P.L. 101-508, Nov. 5, 1990), the Eximbank is required to estimate and budget for the total long-term costs of their credit programs on a net present value basis. Present value analysis calculates the value today of a future stream of income or expenses. The Congress funds the Eximbank's estimated credit subsidy costs through the annual appropriations process. Subsidy costs arise when the estimated program disbursements by the government exceed the estimated payments to the government on a net present value basis. Administrative expenses receive a separate appropriation and are reported separately in the budget.

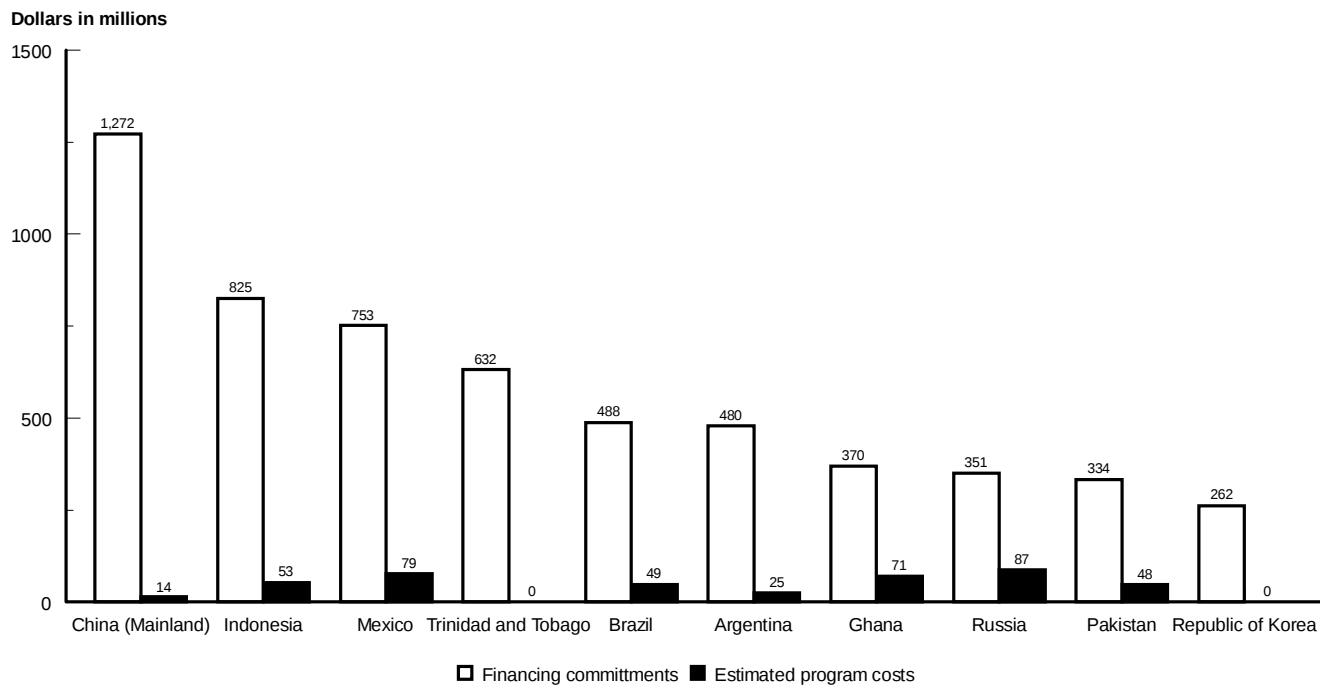
^aPresident's fiscal year 1998 budget request.

^bTotal costs are defined as the Eximbank's program costs and administrative costs.

Source: Eximbank.

Appendix II
Distribution of Eximbank Financing

Figure II.1: Top 10 Country Recipients of Eximbank Financing Authorizations (and Associated Estimated Program Costs), Fiscal Year 1996

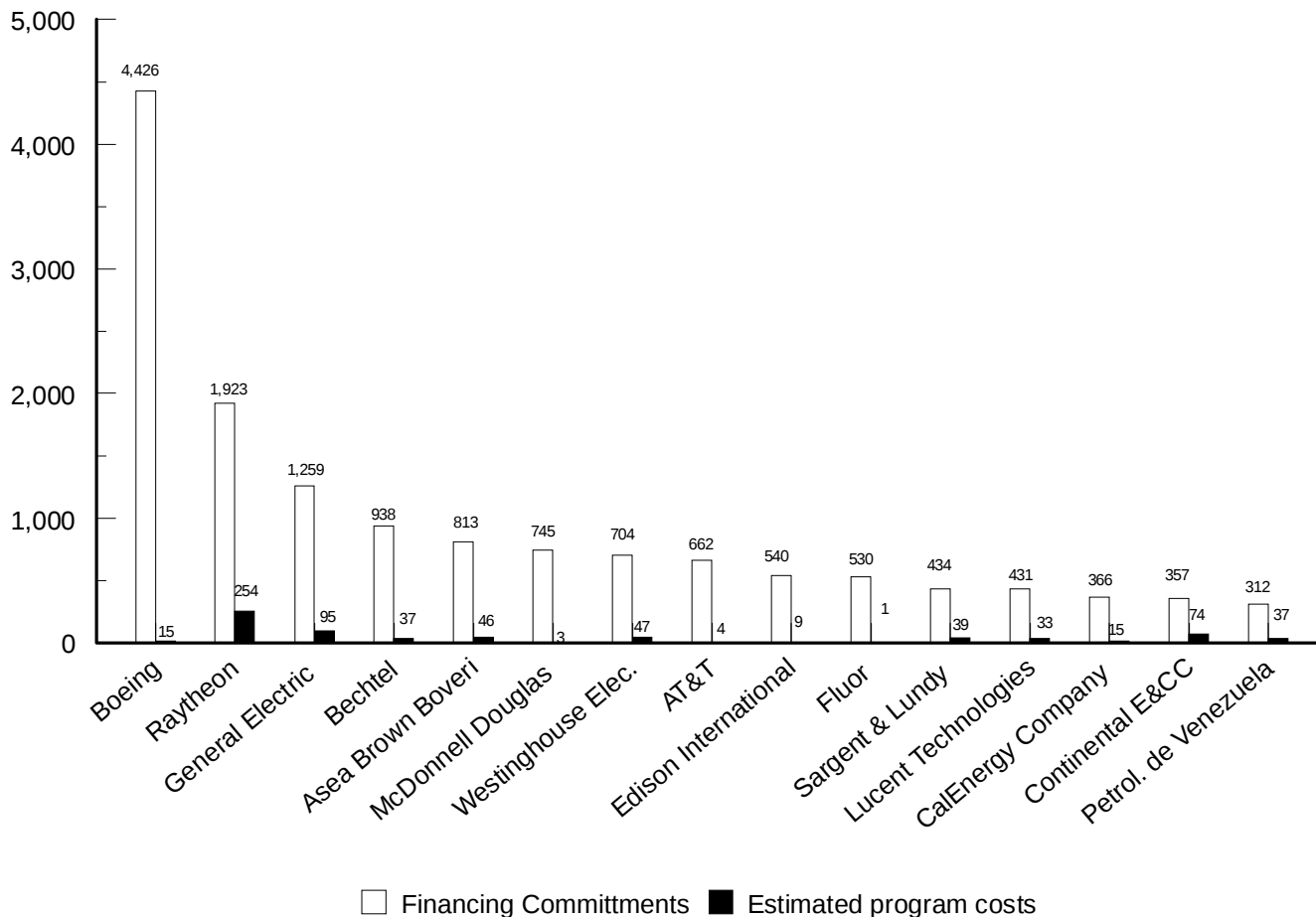


Source: Eximbank.

Appendix II
Distribution of Eximbank Financing

Figure II.2: Top 15 Recipients of Eximbank Financing, Fiscal Years 1994-96

Dollars in millions



Source: Eximbank.

Appendix II
Distribution of Eximbank Financing

Table II.2: Eximbank Small Business Financing Commitments, Fiscal Years 1994-96

Dollars in millions

Fiscal year	Total Eximbank transactions	Number of financing commitments supporting small business^a	Percentage of total transactions	Value of financing made to small business	Percentage of Eximbank financing commitments to small business
1994	1,984	1,576	79	2,690	18
1995	2,415	1,910	79	2,461	21
1996	2,422	1,934	80	2,405	21
Total	6,821	5,420	Average for period: 79%	\$7,556	Average for period: 20%

Source: Eximbank.

^aSee table II.1 for Eximbank budget figures for fiscal years 1994-96.

U.S. Firms That Received Tied Aid War Chest Assistance, 1994-96

Firm	Total Eximbank financing	Contributing Country/recipient country	Sector
Ellicott Machine Corp., International	\$21,994,295	Norway/Indonesia	Transport
U.S. China Industrial Exchange	2,921,520	Austria/China	Medical
U.S. China Industrial Exchange	2,921,520	Austria/China	Medical
U.S. China Industrial Exchange	2,921,520	Austria/China	Medical
Motorola, Inc.	43,870,988	U.K. and European Community/Indonesia	Telecommunication
Cubic Automatic Revenue Collection Group	35,948,268	Germany/China	Transport
Zond Systems, Inc.	3,700,073	Denmark/China	Power
Zond Systems, Inc.	3,675,075	Denmark/China	Power
Zond Systems, Inc.	3,695,400	Denmark/China	Power
Interdigital Communications	35,928,415	France and Australia/Indonesia	Telecommunication

Source: Eximbank.

Eximbank's Financing of Dual-Use Exports

For the last 3 fiscal years, the Eximbank has had the authority to finance exports of nonlethal defense items whose primary end use is for civilian purposes. The Eximbank is authorized to use up to 10 percent of its annual commitments to finance the exports of these dual-use (military and civilian) items. As depicted in the following tables, the Eximbank has financed several items but well below the 10-percent annual cap. The Eximbank's authority to finance these items expires on September 30, 1997. We are required to report to the Congress no later than September 1, 1997, on the end use of these items. We plan to issue a report to the Congress on this matter on July 17, 1997.

Table IV.1: Summary of Eximbank's Cap on Dual-Use Financing Commitments, 1995-97

Dollars in millions

Fiscal year	Total financing commitments	Amount allowed under dual-use financing commitment cap	Dual-use financing commitments	Dual-use financing commitments as a percent of total export financing commitments
1995	\$11,864.9	\$1,186.5	\$15.4	0.1
1996	11,516.9	1,151.7	102.4	0.9
1997	16,521.7 ^a	1,652.2	108.3 ^b	0.7

^aProjected commitment.

^bAs of June 1997.

Source: Eximbank.

Appendix IV
Eximbank's Financing of Dual-Use Exports

Table IV.2: Eximbank Dual-Use Financing Commitments, Fiscal Years 1995-97

Dollars in millions

Fiscal year	Recipient country	Type of Eximbank financing / description of export	Amount of Eximbank financing	End user	Intended end use
1995	Indonesia	Loan/aircraft parts and services	\$15.4	Indonesian Air Force	Territorial development
1996	Romania	Guarantee/air traffic control system	79.5	Romanian civil aviation authority	Civil air traffic control
	Indonesia	Loan/helicopters	22.9	Indonesian Army	Territorial development
1997	Venezuela	Guarantee/radio systems	8.8	Venezuelan Army	Territorial development
	Venezuela	Guarantee/radio systems	3.4	Venezuelan Air Force	Civil air traffic control
	Brazil	Loan/aircraft components	34.0	Brazilian Air Force	Territorial development
	Venezuela	Guarantee/trucks	25.5	Venezuelan Army	Territorial development
	Venezuela	Guarantee/trucks	14.1	Venezuelan Army	Territorial development
	Venezuela	Guarantee/aircraft parts	10.1	Venezuelan Army	Territorial development
	Venezuela	Guarantee/motor vehicles	12.4	Venezuelan Army	Territorial development

Source: Eximbank.

Project Finance

Table V.1: Eximbank Project Finance Transactions, Fiscal Years 1993-97

Dollars in millions

Fiscal year	Project	Country	Sector	Eximbank support	Total project size
1993	Pagbilao	Philippines	Power	\$185	\$933
1994	Upper Mahiao	Philippines	Power	166	229
	Mahanagdong	Philippines	Power	200	320
1995	Paition	Indonesia	Power	540	2,600
	Samalayuca	Mexico	Power	477	644
	Cilicap	Indonesia	Petrochemical	296	633
	Sual	Philippines	Power	164	1,200
	El Abra	Chile	Mining	151	1,400
	Termobarranquilla	Colombia	Power	161	756
	Marmara	Turkey	Power	228	544
	Comsigua	Venezuela	Manufacturing	67	270
1996	Jawa	Indonesia	Power	390	1,600
	Saba	Pakistan	Power	84	141
	Leyte	Philippines	Power	50	69
	Uch	Pakistan	Power	255	612
	Farmland	Trinidad	Petrochemical	235	335
	Alumbrera ^a	Argentina	Mining	228	600 ^b
	Atlantic LNG ^a	Trinidad	Petrochemical	391	1,100 ^b
1997	Avantel	Mexico	Telecom.	292	1,200
	Halliburton	Angola	Petrochemical	88	200 ^b
	Alestra	Mexico	Telecom.	307	670 ^b
	Batu Hijau	Indonesia	Mining	425	2,000 ^c
	Qatargas	Qatar	Petrochemical	60	300
	Quezon	Philippines	Power	457	828
	Ras Laffan	Qatar	Petrochemical	465	3,400
Grand Total				\$6,362	\$22,584

Source: Eximbank.

^aPolitical risk coverage only.^bProject has been authorized, but deal has not closed.^cAwaiting congressional approval.

Appendix V
Project Finance

Table V.2: Infrastructure Projects in Emerging Markets Utilizing ECA Financing

Export credit agency	Emerging market							
	Turkey	Thailand	China	Indonesia	India	Argentina	Brazil	Mexico
Japan	•	□	•	•	•	□	•	N/A
United States	•	N/A	□	•	•	•	•	□
Germany	•	•	•	•	•	□	N/A	N/A
United Kingdom	•	N/A	□	□	•	N/A	□	N/A
France	•	□	•	N/A	□	N/A	N/A	N/A
Austria	•	•	N/A	N/A	N/A	N/A	N/A	N/A
Italy	□	□	N/A	□	N/A	□	N/A	N/A
Belgium	•	□	N/A	N/A	N/A	N/A	N/A	N/A
Spain	N/A	□	•	N/A	N/A	N/A	N/A	N/A
Netherlands	□	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Switzerland	N/A	N/A	N/A	□	N/A	N/A	N/A	N/A
Sweden	N/A	□	N/A	N/A	N/A	N/A	N/A	N/A
Norway	N/A	□	N/A	N/A	N/A	N/A	N/A	N/A
Canada	□	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Brazil	N/A	N/A	N/A	N/A	N/A	□		N/A
Korea	N/A	N/A	□	N/A	N/A	N/A	N/A	N/A

Legend

- N/A = Not applicable because no projects reported.
 • At least one completed project with ECA financing.
 □ Proposed project(s) with ECA financing.

Source: Compiled from U.S. government information and foreign data.

Related GAO Products

U.S. Export-Import Bank: Process in Place to Ensure Compliance With Dual-Use Export Requirements ([GAO/NSIAD-97-211](#), July 17, 1997).

Ex-Im Bank's Retention Allowance Program ([GAO/GGD-97-37R](#), Feb. 19, 1997).

Export Finance: Federal Efforts to Support Working Capital Needs of Small Business ([GAO/NSIAD-97-20](#), Feb. 13, 1997).

Export-Import Bank: Options for Achieving Possible Budget Reductions ([GAO/NSIAD-97-7](#), Dec. 20, 1996).

Retention Allowances: Usage and Compliance Vary Among Federal Agencies ([GAO/GGD-96-32](#), Dec. 11, 1995).

Export Finance: Comparative Analysis of U.S. and European Union Export Credit Agencies ([GAO/GGD-96-1](#), Oct. 24, 1995).

Export Promotion: Rationales for and Against Government Programs and Expenditures ([GAO/T-GGD-95-169](#), May 23, 1995).

International Trade: U.S. Efforts to Counter Competitors' Tied Aid Practices ([GAO/T-GGD-95-128](#), Mar. 28, 1995).

International Trade: Combating U.S. Competitors' Tied Aid Practices ([GAO/T-GGD-94-156](#), May 25, 1994).

Export Finance: Challenges Facing the U.S. Export-Import Bank ([GAO/T-GGD-94-46](#), Nov. 3, 1993).

Export Finance: The Role of the U.S. Export-Import Bank ([GAO/GGD-93-39](#), Dec. 23, 1992).

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