

**EXPORT-IMPORT BANK OF THE UNITED STATES
RECHARTERING TESTIMONY
HOUSE COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY AND TRADE
MAY 2, 2001**

Mr. Chairman, I am pleased to be here today representing the Export-Import Bank of the United States (Ex-Im Bank). Ex-Im Bank's Charter states:

It is the policy of the United States to foster expansion of exports of manufactured goods, agricultural products, and other goods and services, thereby contributing to the promotion and maintenance of high levels of employment and real income, a commitment to reinvestment and job creation, and the increased development of the productive resources of the United States.

Working in partnership with business and labor, we support exports in order to create and sustain jobs here in the United States. This has been the task of Ex-Im Bank in the past, and with Charter renewal, the Bank will continue its vital work as long as foreign competition has to be met and our partnership with the private sector is necessary to assure that exports go forward and jobs are sustained.

The charter goes on to tell us that our programs have to be "fully competitive with the government-supported rates and terms and other conditions available...from the principal countries whose exporters compete with United States exporters." And we focus our resources on financing exports where the private sector cannot meet the financing terms and conditions necessary to enable our exporters to offer a competitive financing package. Because of this, Ex-Im Bank supports 2% or less of total US exports, the balance financed by the private market. This is near the bottom for all industrialized countries, reflecting the comparative depth of our capital markets. Our support helps businesses finance transactions in risky countries where the private sector does not want to get involved, or meet offers from competing export credit agencies. We reach out to small businesses and communicate with underserved exporters in inner-cities and rural areas through speeches, briefings, and our internet site.

We are also constantly making sure that US taxpayers' monies are committed with the greatest care. Our loan officers are careful to assure that Ex-Im support is necessary for a transaction to go forward. The Ex-Im Bank Board frequently asks this question specifically when considering a transaction. I would also emphasize that Ex-Im Bank is not a free service. We charge fees which serve to offset some of the monies we must set aside to reserve against possible loan losses.

Mr. Chairman, Ex-Im Bank is a "sunset" agency. Our charter needs to be renewed by Congress by September 30, 2001. In this preauthorization, we are requesting a renewal of the Bank's charter for four years, through September 30, 2005

We are also requesting that our sub-Saharan Africa Advisory Committee be extended for four years. This advisory committee has offered valuable advice which has been instrumental in our ability to increase our business in sub-Saharan Africa.

Let me take some time to explain how Ex-Im Bank assists exporters and sustains US jobs. Our basic programs consist of direct loans to foreign buyers of US goods and services, guarantees of commercial loans to foreign buyers, and providing a number of insurance programs that are of great assistance for short-term, small business sales. In FY 2000, the Bank authorized \$932.6 million in loans, \$8.4 billion in guarantees, and about \$3.3 billion in insurance, supporting a total US export value of \$15.5 billion. Since our last rechartering in 1997, we have supported approximately \$60.2 billion in US exports. For every \$1 dollar of taxpayer money invested in Ex-Im Bank's program budget, there have been returns of \$15-\$20 dollars in exports. Export-driven jobs typically pay 4-6% above the average in the United States.

These are not give-aways to large corporations. Ex-Im Bank programs finance exports from businesses of all sizes, large and small. Also, we are being repaid. Losses over our 67 year history are less than 3% of disbursements, and while this obviously can vary depending on world economic conditions, I would put our record up against any commercial bank. It speaks well for our credit judgments, and it also speaks well for our Asset Management Division, which does a very good job at recovering assets when a buyer gets into financial difficulty.

FY 2002 BUDGET REQUEST

The request for our *program budget* for FY 2002, the budget that allows us to carry out our guarantee, insurance, and loan programs, is \$633 million. This is approximately a 25% reduction from the 2001 enacted level of \$863 million. We will manage carefully to assure that we do not run short of funds for our medium and long-term transactions. There will be sufficient funds to service all of our small business customers. These management decisions could include increasing fees, reducing the percentage of any given transaction that we will finance, or limiting the amount of riskier transactions we undertake. All of these steps will balance our role as lender of last resort against Ex-Im Bank's role to 'level the playing field'.

We are also requesting \$65 million for our administrative budget, a \$3 million increase over this year. The bulk of that increase is accounted for by pay raises for our staff and our continuing effort to improve our case processing procedures, especially our computers. Our goal is to improve our overall efficiency and decrease our case processing time.

SMALL BUSINESS

The benefits of the increased exporting Ex-Im Bank makes possible extend to businesses of all sizes in almost all states. In FY 2000, 86% of Ex-Im Bank's transactions directly

benefitted small businesses. These transactions consumed about 18% of our lending levels. And this does not even take into consideration the tens of thousand of small businesses that benefit indirectly from exports from large corporations such as Boeing.

Small businesses account for most of the job growth in our country. We currently directly assist some 2000 small businesses each year, but this represents just a small fraction of the small businesses which export. While we are making every effort to expand our small business base, there is much more that needs to be done. The only way to reach the thousands of small businesses that could make use of our services is to expand our technological base, ultimately by making use of the internet, which involves significant capital investment.

I would like to take this opportunity to review some of the major small business initiatives the Ex-Im Bank has undertaken since we were last rechartered. First, we have reorganized internally to centralize all of our small business efforts. In 1997, the New and Small Business Group (NSBG) was established to provide specific services for the small business community. This group included the Insurance, Working Capital and Business Development Divisions along with the Regional Offices located in New York, Chicago, Miami, Houston and Long Beach, California. Since then, the NSBG has endeavored to aggressively meet the exporting needs of the small business community with superior customer service. This has included the establishment of an Emerging Market sub-group to promote Ex-Im products and services to small business in the minority, women-owned and rural communities. I would like to add at this point that the results of a survey entitled the American Customer Satisfaction Index show that Ex-Im Bank's customer service rating is a "70", which is "excellent" and compares well to not only other US government agencies but also commercial banks.

Our regional offices have also changed to emphasize small business initiatives. Ex-Im Bank has:

- changed from a reactive to proactive approach to marketing and selling Ex-Im products to achieve small business goals, and
- opened a Mid-Atlantic regional office and West Coast satellite offices in San Francisco and Orange County to attract small business in those areas.

Business Development

Starting in 1998, we transformed from a reactive to proactive business development philosophy. We have developed:

- an **Exporter Database**, that includes 180,000 exporting companies (two-thirds of all exporters).

- a **Direct Mail** campaign aimed at small businesses. We have sent out more than 200,000 pieces of mail each year to exporters. We have developed about 2,000 qualified leads for immediate sales follow-up with new ACT contact management software.
- a program of **Nationwide Exporter Seminars**, which cover the entire US. These have proven to be very popular and are large cost and time-savers for exporters, because it means they do not have to travel all the way to Washington for our multi-day seminars.

In addition, we forged strategic alliances with our partners in the US Export Assistance Centers (the Department of Commerce and the Small Business Administration) to facilitate small business outreach; we have overhauled our web site to make it more user-friendly and logical so the first-time visiting exporter can easily understand it; and we are utilizing more than 100 partnerships with trade associations and our City/State partners to reach small businesses at the local level.

Starting in 2000, we have increased our efforts to promote our activities linking Ex-Im Bank with the Congress, state and federal agencies, and trade promotion groups. We have been proactive in working with a variety of these organizations to promote exporting opportunities through speeches, briefings, and informal meetings. In addition, we have performed the following:

- Ex-Im Bank trade briefings have been coordinated for ten Members of Congress. Such programs are joint efforts between Ex-Im Bank's City/State partners, local Chambers of Commerce, and the offices of various Senators and Representatives. In addition, packages of information have been sent to several other Members of Congress interested in preparing for a trade event in their respective districts. Using these briefings as an outreach tool, Ex-Im Bank has been able to develop and strengthen relationships with a growing number of first-time users of the Bank.
- Memoranda of Understanding (MOU's) have been signed with the Governor of New Jersey. Signing a MOU allows Ex-Im Bank to work together with state commerce departments and economic development agencies.

Insurance

Mr. Chairman, it is through our insurance program that the majority of our small business transactions are enacted. Ex-Im Bank has adopted a detailed strategic approach in supporting and increasing its support for small business exporters and associated lenders. Central to this strategy are three key components: offering useful, high quality products that are reasonably

priced and will attract a greater number of small business exporters; providing prompt customer service by investing in technology to support a growing volume of small transactions; and finally, through technology, being in a position to monitor and adapt risk-taking to the marketplace on a real time basis. Since 1997, the following initiatives in the Insurance program have been undertaken in support of these strategic objectives relating to small business.

Short-Term Credit Standards: In 1999, Ex-Im Bank introduced Short Term Credit Standards (SACS) designed to achieve greater transparency, predictability and consistency of application outcomes for small business exporters under the short term insurance program. Prior to the introduction of the SACS, exporters and lenders were not sure what credit information would be necessary and under what circumstances Ex-Im Bank would approve an application. With the SACS, all participants are informed as to what credit information is required and on what basis Ex-Im Bank will approve an application. A critical additional benefit derived from SACS is an improvement in application turnaround time.

In addition, the SACS have also enabled Ex-Im to take a more aggressive posture with regard to risk assumption and with a faster turnaround capability on smaller exporter applications because the standards offer the means to quickly evaluate the critical credit components. The SACS will also serve as the platform for automated credit scoring (See Automation below).

Small Business Product Enhancements: At the same time the SACS were introduced, Ex-Im Bank also modified a number of its policies to provide greater flexibility and incentives for small business exporters and their lenders to use the short-term credit insurance program. These included the following:

- We have made it even easier for small businesses to sell to private buyers by extending the use of Enhanced Assignments, which transfer the risk of exporter performance from the commercial bank lender to Ex-Im Bank. This is also helpful to lenders, when exporter performance risk may be too high to allow for the provision of any financing
- Reduced the Minimum Annual Premium for small business (and other applicants as well)
- Expanded use of delegated authority to small business exporters

Automation: In recognition of Ex-Im Bank's commitment to support an ever-growing number of small dollar sized transactions from small business exporters and the availability of technology to efficiently and effectively support this effort, the insurance program's strategic plan incorporated the "Automation Project" as a key component in assisting Ex-Im Bank to achieve its small business goals. This effort, which is dependent on receiving sufficient administrative budget, will

provide a number of key benefits to the US SME exporting community and to Ex-Im Bank as well:

- Ability to handle a significantly larger volume of applications, most of which will be generated by small business exporters and/or their lenders in an expedited manner
- Expedited turn around time on up to 80% of all applications
- Ability to monitor, evaluate, and modify the risk of the short term portfolio on a real-time basis
- Provides the framework for expanded risk taking because of the portfolio approach versus a case by case approach.

30-40% broker commissions for small business: To encourage greater broker participation in marketing and selling Ex-Im Bank's short-term insurance, we increased the commissions to be paid to brokers who are able to sell a minimal number of policies to small businesses from the standard 10% commission rate to either 30 or 40% with the commission rate based on number of policies sold.

Threshold increase for small business from \$3 to \$5 million: Ex-Im recently changed its maximum annual export credit sales "small business enhancement" threshold from \$3 million to \$5 million. This change allows for a greater number of small business exporters to be eligible to receive the enhancements available under its Small Business Policy.

GMAT Short-Term Mexico Program: Ex-Im Bank recently agreed to insure short term transactions under a commercial paper funded program set up by GMAT, which focuses on providing export financing support for and between US small business exporters and Mexican small business buyers.

Short-Term Insurance Pricing: In order to provide simplified insurance premium pricing for small business exporters, Ex-Im Bank adopted the use of a short-term fee table in which the Bank charges a flat fee based on term and buyer type, and excludes the variability of country risk as a factor. Thus, the fees charged can be known up-front regardless of the country where the exporter may be shipping to (e.g., more predictable), as opposed to a fee based on term, buyer type and country risk formula that can also change without warning to the exporter (e.g., less predictable). Moreover, the small business exporter benefits when the country of the buyer is a relatively higher risk because the fee charged is typically lower than the higher risk fee.

Working Capital

Mr. Chairman, we have made great strides in our Working Capital program since 1997. The program has grown from \$387.7 million in FY '98 to \$588.3 million in FY '2000, an increase of about 52%. About 88% of these transactions are for small businesses. In addition to the hard work of our staff, this increase has been made possible by some program changes:

- The program has added additional delegated authority (DA) lenders and has increased the amount of DA afforded to lenders many times in the last 5 years.
- The program documentation has been simplified for ease of operation.
- New partners have been added to broaden the potential marketplace for this product. Asset based lenders and community bank initiatives have resulted in additional usage of the program. Ex-Im Bank has joined the Commercial Finance Association and dedicated a business development officer to enhance this relationship.

The attached charts depict activity under the Insurance and Working Capital programs along with overall business growth over the preceding two years.

SUPPORT FOR LARGER COMPANIES

We also, of course, deal with large corporations and help support their exports to markets which are risky. We do it because even large corporations do not have the resources to stand up against government subsidized foreign competition or the reluctance of most commercial banks to deal in many emerging markets. These transactions result in high-paying jobs for the individuals who work for these corporations. And as I stated above, there has been a good record of repayment.

Let me address the issue of our support for large companies such as Boeing, which seems to have attracted more than its share of attention. I am pleased that we have been able to help Boeing export, because when we have done so, we have helped them compete against their highly subsidized competition and defend a US industry. The Europeans have been very candid about their ambition to make Airbus, Boeing's only competitor in the large commercial jet aircraft market, the dominant manufacturer in this industry. We want to make sure that Boeing can compete with them on the basis of quality and price, not the availability of finance subsidized by our European competitors. There is a lot at stake. Thousands of companies in all fifty states contribute to the building of a Boeing aircraft. In 1999, Boeing paid approximately \$23.5 billion to 35,000 companies in the United States. I am no more or less proud of the exports we support

for Boeing and the jobs we support there than I am of the exports we support for small businesses. They are all equally valuable.

Let me make it very clear that when we are asked to support an export, we make every effort to assure that it cannot be supported commercially, or that there is officially supported finance from our competitors. We call this “additionality”, assuring that the export would not proceed without us. We take this task very seriously, and we are always open to suggestions as to how we can do this job better.

Also, we do not arbitrarily “pick winners and losers.” We accept transactions on a first come, first served basis, and judge them as to whether or not they are creditworthy and, in some instances, whether they meet our environmental guidelines.

And, of course, we make sure to follow our Congressional mandate that there is a reasonable assurance that the loan or guarantee will be repaid.

THE ASIAN FINANCIAL CRISIS

I would now like to highlight some of Ex-Im Bank’s activity of the last four years. In June of 1997, the economies of Asia experienced a severe financial downturn. Korea, Thailand, and Indonesia, three major economies, virtually ceased importing US goods and services. The private sector in the industrialized world placed a hold on further dealings with these countries. Hundreds of millions of dollars of US exports were literally sitting on US docks, injuring US exporters large and small and costing US jobs. Ex-Im Bank concluded that short-term transactions were still viable in most of these countries, and we offered short-term lines of credit for \$1 billion in each. This was meant to signal that Ex-Im Bank would remain engaged in these markets, that we expected to be repaid and would continue to do our best to stick by US exporters who were trying to maintain trade flows. I am convinced that the role of Ex-Im Bank proved crucial in promoting recovery and sustaining US exporters.

Our efforts had an immediate impact in Korea and demonstrated the unique role Ex-Im Bank played at a crucial time. Through our efforts, over \$2 billion dollars in US exports went forward that otherwise would have been lost, much of it from small business. In the first ten months, from March through December, over 2,500 transactions were processed, compared with fifty transactions the previous year. Most importantly, when we reviewed our repayment records, we discovered that there was not a single loss. This was obviously a great benefit to US exporters and workers, but it was also a stabilizing factor for Korea and all of Asia. And because we stayed, the private sector banks were encouraged to return to the market. Through this experience, Ex-Im Bank showed the value of its presence during a financial crisis.

Indonesia has been the most difficult of our markets in recent years. Our current exposure there is about \$3.3 billion, down from \$3.8 billion at the end of FY ‘97. At that time, the

exposure comprised about 7% of Ex-Im Bank's total portfolio. Our best current estimate is that in the end, our losses in that country will probably be about 5% of our exposure there.

These challenges in Asia have put Ex-Im Bank staff to the test and here, as in Russia and in other troubled areas, the Bank has met the challenges. Our losses are modest. The Bank's portfolio has solid industry and regional balance. The Bank has sustained US exports and jobs during periods of economic instability.

ENVIRONMENT

In 1995, at the direction of Congress, Ex-Im Bank adopted a comprehensive environmental policy, that included an aggressive program to promote environmentally beneficial and renewable energy exports, and adoption of a set of environmental procedures and guidelines applicable to its support of foreign projects. This was in recognition that the US is a leader in the manufacture of environmental technology, yet the level of our exports did not reflect this.

During the next generation, the world market for environmental technology will grow to nearly \$1 trillion. As evidenced in its Annual Performance Plan, Ex-Im Bank is committed to increasing the level of support it provides to exporters of environmentally beneficial goods and services as well as to exporters participating in foreign environmental projects. To achieve this objective, Ex-Im Bank offers enhanced financing support with its Environmental Export Credit Insurance and under its Loan, Guarantee, and Medium-Term Insurance programs. These programs are intended to maximize US government support for environmental technology, thereby enhancing substantially the competitive position of U.S. environmental exporters. Since 1995, Ex-Im Bank has supported \$3 billion in environmentally beneficial U.S. exports and environmentally beneficial projects.

In addition to proactively encouraging U.S. companies to export environmentally friendly goods, Ex-Im Bank instituted review procedures to ensure the projects it supports are environmentally responsible. If a project does not meet all Ex-Im Bank environmental measures, the Bank will work with the exporter to implement mitigating measures.

In 1997, we initiated discussions with heads of G-7 export credit agencies to persuade them to work with the OECD to adopt environmental policies with meaningful environmental guidelines. Ex-Im Bank is recognized internationally for its progressive environmental policy and it spearheaded U.S. government efforts at recent G-8 Summits to encourage leaders of other nations to require that their export credit agencies adopt effective environmental guidelines.

Ex-Im Bank's environmental guidelines add significant value to the projects it finances. Emissions of project pollutants and effluents have been reduced, and the ecological effects of Bank supported projects have been mitigated extensively. Ex-Im Bank's environmental guidelines have prompted foreign buyers to purchase additional U.S. exports of goods and

services totaling over \$250 million to mitigate the environmental effects of their projects. Examples of these exports include pollution control equipment, highly efficient electric power plants, effluent disposal systems, and services to mitigate regional ecological impacts.

NEW MARKETS

Over the past few years, Ex-Im Bank has made a concerted effort in expanding our support to U.S. exporters in new markets such as sub-Saharan Africa, Russia, and the NIS as well as retooling in older markets such as India. As a result, Ex-Im Bank will expand U.S. export opportunities into markets that may hold great potential for U.S. export growth. These are either markets where the private sector will not provide financing, or where Ex-Im must act to meet competition from foreign export credit agencies.

The most notable growth in Ex-Im Bank's programs has been in sub-Saharan Africa, a market where previously both Ex-Im Bank and U.S. exporters were largely inactive. As a result of Ex-Im Bank's commitment to meet its 1997 Congressional mandate, the Bank has seen nearly a 15-fold increase in supported exports to the region. Also to meet this mandate, the Board of Directors established both an internal Africa Task Force to direct the activities of the Bank pertaining to Africa, and named a sub-Saharan Africa Advisory Committee to bring practitioners from the field to offer advice to Ex-Im Bank in its efforts.

The importance of this market was also underscored by several Ex-Im Bank delegations in FY2000, including missions to Nigeria, Ghana, South Africa and Mozambique, Cameroon and Senegal.

As a result of these efforts, Ex-Im Bank's support to sub-Saharan Africa has grown substantially. Whereas in 1998 the Bank authorized approximately \$56 million to support U.S. exports, it authorized \$589 million in 1999 and \$914 million in 2000. In terms of volume of business, Ex-Im Bank authorized 103 transactions in 1999 and 125 in 2000, a 25% increase. In 1998 the Bank was open in 21 countries and has been open in 32 countries for the past two years.

The Bank is also working to maximize trade opportunities for U.S. exporters in Russia as well as the other NIS countries. The Asian and Russian financial crisis had a large impact on activity in these markets, and we are just starting to see a resumption of activity in some of these markets.

In Russia, Ex-Im Bank is working with that country's leadership to find ways to expand U.S. exports and encourage Russia's development as a trade partner with the U.S. Reflective of this effort, authorizations supported by Ex-Im Bank rose from zero in 1999 to \$223 million in 2000. Some of the transactions involved the sale diamond mining equipment, aircraft equipment, and medical equipment for a Moscow children's hospital.

Ex-Im Bank also moved to expand its programs in Russia by initiating a program to accept the risk of Russian Commercial Banks. After extensive due diligence by staff, compiled in a banking sector study, the Bank's Board of Directors chose 15 Russian banks as creditworthy partners, eligible for short and medium-term financing.

The Bank also assisted its first Azerbaijan transaction last year, which supported \$66 million in asset-based financing for two aircraft to Azerbaijan's Airlines.

The Bank is also developing tools to enter new market places as well as to expand in old markets. For instance, in August of 2000 the Bank has announced a new subsovereign program that will help foreign borrowers with municipal, state and provincial support gain access to Ex-Im Bank financing to buy, among other things, medical equipment, construction vehicles, information technology, and environmentally beneficial goods and services. This program is aimed at optimizing U.S. export support while helping many emerging market cities and states strengthen their economies by addressing critical infrastructure needs, including their access to cutting-edge information technology. Transactions of this nature could also be used for entities in many countries, including Russia, Malaysia, Argentina, Brazil, Bulgaria, China, Colombia, Croatia, the Czech Republic, Estonia, Latvia, Poland, Slovakia, and South Korea.

Essential to U.S. export growth and utilization of Ex-Im Bank in particular is a general broadening of the Bank's focus on maximizing exports through increased creativity in financing and flexibility in structuring transactions so that they meet the Bank's creditworthiness criteria.

FOREIGN CONTENT, LOCAL COSTS, AND COFINANCING

Over the past 18 months, in cooperation with several exporting organizations and in consultation with representatives of organized labor, Ex-Im Bank has formulated new policies in foreign content, local cost, and co-financing. In all three areas, the idea is to use greater flexibility to achieve higher US export and job levels.

The premise behind these changes is that U.S. exports would benefit by: (a) providing exporters with greater flexibility; (b) creating efficiencies (such as minimizing paperwork); and (c) enhancing U.S. exporter competitiveness through co-financing arrangements. The validity of our premise will be measured over the next 18-24 months as transactions that benefit from these changes flow through the Ex-Im Bank process and we review the results to determine if the changes are accomplishing the intended results – to encourage U.S. exports. This review process is an integral component to the changes we have implemented and will provide an important feedback loop on the effectiveness of these changes.

Let me begin by explaining "foreign content", which is the amount of goods and services in a U.S. export supply contract that were not produced in the United States. The basic

parameters of Ex-Im Bank's foreign content policy continue to be the same. That is, Ex-Im Bank will support the lesser of 85% of the U.S. export supply contract or 100% of the U.S. content. The difference between the current and previous foreign content policy is the way in which eligible foreign content is calculated.

Prior to the change in procedures, the production cost of each good and service in the U.S. supply contract must have been a minimum of 50% U.S. content and the foreign content must have been incorporated in the United States; all content must have been shipped from the United States. **Each item of supply** had to meet this criteria to be included in the Ex-Im Bank financing package. In contrast, the new foreign content procedures calculate foreign content on an **aggregate basis**. That is, instead of applying our foreign content procedures to each item of supply, we apply them to the aggregate U.S. supply contract.

Local costs are costs incurred in the buyer's country. Local costs are generally related to the US exporter's contract and can be an important factor in helping the US exporter win the contract. Notwithstanding, local costs do not directly benefit the US economy and therefore, Ex-Im Bank has developed procedures and policies to limit the extent to which Ex-Im Bank provides support for these costs. Ex-Im Bank policy allows it to provide support for locally originated goods and services for up to 15% of the US contract price.

Ex-Im Bank has recently approved changes in the local cost policy that will significantly improve US exporter competitiveness. The specific changes fall into two broad categories – availability rules for obtaining local cost support, and eligibility requirements.

Ex-Im Bank has eliminated the availability criteria for long-term transactions that required proof of foreign competition or evidence of insufficient private financing for local costs. As a result, Ex-Im Bank may provide support for all long-term transactions providing there are local costs associated with the US exporter's contract.

Regarding eligibility, in order to ensure Ex-Im Bank support for local costs benefitting a US export contract, former Ex-Im Bank policy required the US exporter to explicitly document the local costs portion in the exporter's contract. In some countries this requirement made the local cost appear to be a US (i.e. imported) cost and was taxed as such by the host government. Thus, to avoid this unintended tax consequence, Ex-Im Bank now allows the exporter to document local costs in a variety of ways that establish a "functional" relationship between the local costs and the US exporter's contract. Moreover, for non-recourse project finance transactions, the eligibility criteria has been broadened. Ex-Im Bank may support local costs outside of the US exporter's contract, provided that the local costs benefit the project as a whole.

Let me now turn to the subject of co-financing. The content procedure changes made co-financing possible as previous Ex-Im Bank procedures did not lend themselves to these types of agreements.

Co-financing is sometimes referred to as a “One-Stop-Shop” arrangement that allows buyers to source products from two or more countries without having to negotiate separate financing packages with each export credit agency (ECA.). The US exporter enhances its competitiveness by offering foreign buyers the administrative simplicity of a seamless co-financing package that contains a common documentary structure for the entire transaction -- one set of terms, conditions and procedures. The buyer interfaces with only one ECA who leads the financing. The lead ECA secures a counter-guarantee from the “follower” ECA for its portion.

Ex-Im Bank will continue to ensure compliance with its legal and policy requirements by either making certain that the transaction has met its standard procedures or by requiring side certifications and information from the US exporter that demonstrate compliance.

Ex-Im Bank currently has a bilateral agreement with ECGD of the UK and is concluding discussions with EDC of Canada. [Other ECAs – most notably Coface of France and Hermes of Germany are on the horizon to sign bilateral agreements as well.]

CONCLUSION

Mr. Chairman, Ex-Im Bank is in its 67th year of operation, helping to sustain US jobs by supporting exports which would not go forward without us. We meet the export finance offered by competing governments, and we work to eliminate market imperfections to assure that creditworthy deals can go forward. I am pleased to be the representative of a dedicated career staff, many of which have accompanied me here today. We will be happy to answer any questions you or other Members of the subcommittee may have.