

Why GAO Did This Study

The U.S. Export-Import Bank (Ex-Im), the United States' official export credit agency (ECA), helps U.S. firms export goods and services by providing a range of financial products. Ex-Im, whose primary mission is to support jobs through exports, has a range of policy requirements, including support of small business. The Organisation for Economic Cooperation and Development (OECD) Arrangement governs aspects of U.S. and some foreign countries' ECAs. GAO examined (1) Ex-Im's mission and organization compared with ECAs from other Group of Seven (G-7) countries (major industrialized countries that consult on economic issues), (2) Ex-Im's policy requirements compared with other G-7 ECAs, (3) Ex-Im's domestic content policy compared with other G-7 ECAs, and (4) the OECD Arrangement's role in governing ECA activities.

What GAO Recommends

GAO recommends (1) that Ex-Im conduct a systematic review to assess how well its domestic content policy continues to support Ex-Im's mission, and (2) that the Department of the Treasury, with Ex-Im and international counterparts, develop strategies for further engagement on export credit issues with emerging economy countries. Ex-Im stated it considers content policy in its annual competitiveness assessments, but did not comment directly on the recommendation. Treasury stated it supports encouraging emerging market economies' participation concerning export credit issues and is engaged in that activity, but did not state whether it agreed with the recommendation.

View [GAO-12-294](#). For more information, contact Loren Yager at (202) 512-4347 or yagerl@gao.gov.

U.S. EXPORT-IMPORT BANK

Actions Needed to Promote Competitiveness and International Cooperation

What GAO Found

The United States and other G-7 countries have ECAs that support domestic exports, but Ex-Im differs from other ECAs in several important ways, including its explicit mission to promote domestic employment. The G-7 ECAs range from government agencies to private companies contracted by governments. Most of these ECAs, including Ex-Im, are expected to supplement, not compete with, the private market. Ex-Im offers direct loans, which were increasingly utilized during the recent financial crisis, while European ECAs do not.

Ex-Im has specific mandates in areas where other G-7 ECAs have broad directives. Ex-Im has specific mandates to support small business and environmentally beneficial exports, while other ECAs are broadly directed to support such exports. In addition, Ex-Im has other mandates and legal requirements, such as shipping certain exports on U.S.-flagged carriers and conducting economic impact assessments for large transactions, which other G-7 ECAs do not.

Ex-Im's requirements for the level of domestic content in the exports it fully finances are higher and generally less flexible than those of other G-7 ECAs. Ex-Im requires 85 percent domestic content for medium- and long-term transactions to receive full financing, while other ECAs' domestic content requirements generally range between zero and 51 percent. Ex-Im's policy on supporting local costs can result in more foreign content support in some transactions. While Ex-Im has modified its method for calculating domestic content, its threshold for receiving full financing for medium- and long-term transactions has not changed since 1987, and the policy and its overall impact on jobs has not been studied systematically. Other ECAs have modified their policies in recent years, citing increasing global content of industrial production. In its charter, Ex-Im is directed to provide financing competitive with that of other ECAs, as well as to support U.S. jobs.

The OECD Arrangement has expanded to regulate additional aspects of officially supported export credits, but increasing activity of nonmembers threatens its ability to provide a level playing field for exporters. Several agreements have been made that decrease subsidies and increase transparency among ECAs. However, these agreements apply only to participant ECAs, and important emerging countries, including China, are not part of the Arrangement. Officials from several G-7 ECAs and other institutions identified effective engagement with these countries on export credit issues as being increasingly important and presenting challenges for the OECD Arrangement and its participants.