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Government Supported Export Credit: United States Competitiveness

I. Introduction

Export financing and export credit guarantees and insurance have been provided for many years by most governments of the major industrialized countries. In the United States such support of the financial segment of export activities is provided primarily by the Export-Import Bank of the United States (Eximbank). The purpose of Eximbank is to support sales of goods and services from the United States which, absent such support, would not be sourced from the United States.[1]

As balance of payment pressures intensified in recent years, government export financing programs sponsored by the capital exporting countries have been made more attractive to prospective foreign purchasers-borrowers. Two primary mechanisms have been utilized to achieve this objective: (1) a decrease in applicable interest rates and (2) the extension of the duration (i.e., term) of the loan. Such financing concessions have gradually escalated concerns over export credit warfare. Additionally, such credit concessions have become a subject of analysis as one of the many non-tariff trade barriers.[2]

The function of this article is not to debate the economics (i.e., cost-benefit or subsidy aspects) of the Eximbank lending programs.[3] Of course, many diverse considerations are pertinent in such a context: the actual cost of the subsidy, the

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[1]*See* Section 2(a)(1) of the Export-Import Bank Act of 1945, *as amended* (Eximbank Act).

[2]*See* TRADE BARRIERS, REPORT BY THE UNITED STATES TARIFF COMMISSION TO THE SENATE FINANCE COMMITTEE (and its Subcommittee on International Trade), part II, chap. IX, p. 19, April 1974.

[3]See *Export Credit Subsidies and United States Exports: An Analysis of the United States Eximbank*, by Douglas R. Bohi, as included in THE ECONOMICS OF FEDERAL SUBSIDY PROGRAMS, A COMPENDIUM OF PAPERS SUBMITTED TO THE JOINT ECONOMIC COMMITTEE, United States Congress, 92d Cong., 2d Sess., June 11, 1972. *See also*, EXPORT CREDIT SUBSIDIES AND UNITED STATES EXPORTS: AN ANALYSIS OF THE UNITED STATES EXIMBANK, *Douglas R. Bohi—a Reply*, by Howard S. Piquet, August 7, 1972. *See also*, Wall Street Journal editorial, May 9, 1975, p. 8, col. 1, in which it supports the proposition that government programs to promote exports may actually weaken the domestic economy as a whole and reiterates its "running criticism of the Ex-Im below-market interest rates." The questions seem to be more subtle than those stated by the Wall Street Journal in its editorial: e.g., what is the true cost of the subsidy and can that subsidy be eliminated or neutralized over the long term?

resulting benefits to and the impact of the subsidy on the domestic economy, the impact, if any, on the United States purchase decisionmaking process, the value of the export-financed goods and services to the development of the purchaser's economy (particularly if a less-developed country), the lock-in effects due to the original purchase of United States manufactured items, and the intangible political benefits which might accrue. Additionally, this article is not intended to address export subsidies outside the scope of the financing and credit area, primarily the DISC legislation enacted in 1971 to provide a partial tax deferral to United States manufacturers with respect to their export sales of goods manufactured in the United States.[4]

The thesis of this article is that, rather than providing a credit subsidy, the actual function of the export credit agencies of the capital exporting countries should be (i) to assure an available source of credit for export transactions, and (ii) to assume the credit risks which cannot be undertaken by the commercial sector.[5] Unfortunately, the concept of credit subsidy (i.e., loaning funds at less than the rate appropriate in the commercial market for the particular credit) has become so enmeshed in the export credit process that it has gradually evolved as the matter of paramount consideration.[6] To solve this dilemma the United States must aggressively seek to reach agreements which effectively neutralize the incentives to provide export credit subsidies. However, that status of neutrality can eventually be achieved only by negotiating from a position of strength.[7] Therefore, so as to preserve its negotiating position, Eximbank must be alert to the needs of United States exporters and provide export credit mechanisms which are competitive with current incentives provided by other

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[4]*See* INTERNAL REVENUE CODE OF 1954, *as amended,* §§ 991-997.

[5]The assumption of credit risks by the export credit institution normally contemplates that such risks must be undertaken with respect to funds advanced to the ultimate consumer. However, Eximbank through its cooperative financing facility program effectively eliminates this risk element by providing funds to the importer's bank in situations where the local bank can confidently assume the credit risk for funds advanced to its customer, the importer, in the importing country.

[6]As a result of the 1974 amendments to Eximbank's charter, Eximbank is now required to charge interest at rates determined by "taking into consideration the average cost of money to the Bank." Eximbank Act, § 2(b)(1)(B), as amended by Pub. L. 93-646, 93rd Cong., Jan. 4, 1975. During recent months of interest rate fluctuations this requirement has, of course, been difficult to satisfy simultaneously with the mandated requirement that Eximbank remain competitive.

[7]Under its charter Eximbank is required semi-annually to report to the United States Congress with respect to its competitive position. The report issued for the period July-December 1974 was issued in February 1975 and the report issued for January 1975-June 1975 was issued in September 1975. They are referred to herein as Report 1975-1 and Report 1975-2. Eximbank's Report 1975-1 indicated that Eximbank is no longer competitive with respect to many areas ot export credit support (particularly long-term credits), noting that as a result the incentive to export had been dampened and plans for future exports had been curtailed. In Eximbank's Competitiveness Report for January 1, 1975 through June 30, 1975 (Report 1975-2) Eximbank indicated (at p. 8) that it had been able to recoup some of the loss of comparability with foreign export credit and insurance programs, but that its financial services were still generally not competitive with facilities available from foreign counterparts.

export credit agencies including, if necessary, but unfortunately, limited credit subsidies.

II. The Structure of Current Export Financing Programs

Governmentally sponsored export credit institutions normally utilize three financial support mechanisms:

a. export guarantees or insurance (risk taking);
b. buyer credit (risk taking, capital availability, and, in some instances, credit subsidy);
c. refinancing or discounting facilities (capital availability).

In each segment below the basic structure of the several Eximbank programs is analyzed and the comparable systems used in the major exporting countries are then juxtaposed for contrast and analysis.[8]

A. *Export Credit Guarantees and Insurance*

A government export credit agency may insure or guarantee the repayment of credit extended by suppliers to their foreign purchasers. If done through an insurance policy or a guarantee issued to the exporter, the foreign buyer will not normally even be aware that support for the transaction has been provided by a government export credit agency.

If the exporter has liquidity constraints, it can usually discount the foreign purchaser's promissory note with its own commercial bank. When that note is supported by a guarantee or insurance policy provided by an agency of the exporter's own government, financial institutions are normally not reluctant to discount such obligations. Such insurance is normally provided with respect to both short and medium-term transactions.[9]

Most countries provide coverage both with respect to commercial and political risks. Commercial risks normally contemplate the inability to collect due to a buyer being unable or unwilling to honor its debt obligations. During the preshipment phase, these risks might contemplate the insolvency of the buyer, thereby rendering the contemplated sale futile. In the postshipment phase the risks to be covered would include an unjustified refusal by the buyer to accept the goods (assuming not due to any fault of the seller) and, after the

[8]In addition to export credit, insurance and guarantees, governments of most developed countries provide insurance to their nationals covering investments in less-developed countries. That investment insurance normally provides risk assumption with respect to political occurrences such as (i) currency inconvertibility; (ii) expropriation and confiscation, and; (iii) war, revolution, insurrection, etc. In the United States such protection is available through the Overseas Private Investment Corporation (OPIC), a wholly owned United States government corporation.

[9]In this context short-term support is normally up to 364 days and medium-term support is for a period ranging from one to five years.

shipment period, insolvency of the buyer or protracted default by the buyer. In the political risk context the period of coverage can also be divided into two time segments: the preshipment phase and the postshipment phase. During the preshipment phase the political risks imposed on the seller can include: (i) the cancellation by the local export control authorities[10] of an export license (assuming no fault on the part of the exporter), and (ii) the cancellation of the purchase contract by a public buyer such as a governmental ministry, agency, or corporation. In the postshipment phase political risks normally will include: (i) currency inconvertibility or substantial delays in foreign exchange transfers; (ii) the outbreak of war, hostilities, civil strife, etc., which prevents payment by the buyer, and (iii) expropriation or governmental intervention in the buyer's activities which prevents payment.[11]

An evaluation of insurance and guarantee programs available to exporters through the several export credit agencies must focus on the following primary criteria: the types of risks which are covered, percentages of risks which are covered, the terms of repayment which are supported, the types of transactions which might be excluded from coverage, the allowable foreign content of the exported item, and the amount of local costs associated with the purchase of the exported item which will be guaranteed in the related transaction. The cost of such insurance or guarantees may also be a significant variable.

In the United States both exporter credit guarantees are available through Eximbank, and Eximbank indirectly supports a similar insurance program. Similar coverage is available through Eximbank's competitors in such countries as France,[12] Germany,[13] Italy,[14] Japan,[15] and the United Kingdom,[16] in most instances under insurance rather than guarantee programs.[17] From a broad perspective the basic scope of coverage under these export credit insurance programs is not significantly different from the Eximbank programs. However, export sourcing decisions might be premised upon minor variances which can be of substantial financial significance in a particular transaction.

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[10]The Office of Export Control in the United States Department of Commerce and its foreign counterparts.

[11]Another risk inherent in export transactions in the risk of unfavorable currency rate fluctuations in those situations where the payment is to be made in a currency other than the currency of the exporter's home country. To eliminate this risk, export credit insurers often require that the importer's obligation be denominated in terms of the exporter's currency.

[12]Compagnie Francaise d'Assurance pour le Commerce Exterieur (Coface).

[13]Hermes Kreditversicherungs A.G. (Hermes).

[14]Istituto Nazionale delle Assicurazioni (INA).

[15]Export Insurance Division, Ministry of International Trade and Industry (MITI).

[16]Export Credits Guarantee Department (ECGD).

[17]It is understood that Japan and the United Kingdom offer guarantees to banks under programs not too dissimilar from the Eximbank commercial bank guarantee program.

1. STRUCTURE OF EXIMBANK PROGRAMS

Under both the United States export credit insurance program and the commercial bank guarantee program, the financing itself is done in the private sector. A significant portion of the risks is assumed, however, by the public sector. These programs are mutually exclusive and the exporter can choose to use either.

A. CREDIT INSURANCE

Insurance on credit extended by a United States exporter to its foreign purchaser can be issued to that exporter through the Foreign Credit Insurance Association (FCIA).[18] Insurance is available from FCIA with respect to both commercial and political risks,[19] and with respect to both short-term (up to 180 days) and medium-term (six months to five years) credit. Most policies require the exporter to retain from 5% to 10% of the financed portion (2% for agricultural commodities) for its own account and risk. To meet the various needs of exporters, several types of policies are offered by FCIA.

The insured exporter can hold its own foreign receivables, thereby financing the transaction itself. Often, however, it assigns the promissory note received from the foreign buyer, along with the right to the proceeds of its FCIA policy, to a commercial bank or other source of financing. This enables the exporter to receive immediate payment for the transaction.[20]

B. BANK GUARANTEES

Under its commercial bank guarantee program, Eximbank will directly guarantee repayment of all but a minor portion of medium-term export debt obligations acquired by United States banking institutions from United States exporters. The purpose of this program is to enable commercial banks to support their customers who are United States exporters and are required by their foreign buyers to provide deferred credit terms on sales of goods eligible

[18]FCIA was organized in 1962 by a group of approximately 50 of the principal United States maritime, casualty and property insurance companies to offer export credit insurance to United States exporters. Eximbank reinsures FCIA on all political risks and a significant portion of the commercial risks. During 1975 the Eximbank-FCIA risk allocation agreement was restructured to reduce Eximbank's risk. Report 1975-2, p. 4.

[19]§§ 2(b)(2) and (5) of the Eximbank Act essentially prohibit FCIA (as well as Eximbank) support on sales of defense articles and services to less-developed countries and sales to controlled-economy countries, unless in the latter situation, the president determines that such sales are in the United States national interest.

[20]Eximbank may, on a case-by-case basis, approve the issuance to the financing source of a Hold Harmless Guarantee Agreement which guarantees repayment to that financing source of all the obligations arising from exports insured under a policy with a deductible provision, whether or not the nonpayment falls within the deductible amount. This assures that the commercial bank financing the transaction will promptly receive funds when due. Eximbank will, of course, protect itself in such an instance by obtaining appropriate undertakings from reimbursement from the insured exporter.

for medium-term financing. However, those exporters, due to their own needs for operating funds, will need to have a bank finance these medium-term obligations from the inception of the financing transaction.

If guarantee coverage is desired, the commercial bank applies to Eximbank for a guarantee against the buyer's commercial credit or political risks of nonpayment. When shipment is made, Eximbank's guarantee is issued to the commercial bank on advice from the bank that it has purchased the buyer's promissory notes without recourse to the exporter. The commercial bank is protected by Eximbank's guarantee against defined credit or political loss. The exporter thereby eliminates the risk of loss, and immediately is put in funds by its bank. Repayment terms cannot exceed terms customary in international trade for the type of goods shipped. Only financing for the export of United States goods and services is eligible for coverage under the program.

Transactions between a commercial bank and Eximbank are initiated by the execution of a master guarantee agreement between the participating bank and Eximbank. This agreement specifies the terms and conditions of the protection afforded by the guarantee, and each guarantee authorized is subject to those terms and conditions.

2. COMPETITOR GUARANTEE AND INSURANCE SYSTEMS

Eximbank has concluded in Report 1975-1 that the protection which it, acting in conjunction with FCIA, offers to United States exporters and their commercial banks under their joint insurance and guarantee program is "comparable with the protection provided foreign exporters and their respective government-related institutions."[21]

Eximbank apparently is competitive with respect to the types of transactions it supports.[22] It offers competitive repayment maturities with respect to what are considered to be medium-term transactions.[23] It also remains competitive on the percentage of value it will cover in an export transaction.[24] Eximbank and FCIA

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[21]Report 1975-1, p. 14. The report noted that the export financing which Eximbank/FCIA's assumption of risks helped to facilitate was at market rates of interest, as was a large portion of the export financing facilitated by Eximbank's principal competitors, and that during the report period the cost of such export financing ranged from above 10% to as much as 12% for prime customers.

[22]*See*, however, footnote 19 for restrictions in Eximbank's charter of transactions with controlled-economy countries and also for sales of military merchandise to less-developed countries.

[23]To be medium-term the variances can only occur within a range of one to five years. Functioning through the Berne Union the export credit agencies have developed an exchange of information system so that, in the event a competitor offers terms longer than normal, any member of the Berne Union (including Eximbank) can quickly verify that fact and match those terms offered by its competitor.

[24]FCIA covers 90% of the commercial risk, 90% of the political risk in medium-term transactions and 95% of the risk in short-term transactions. Competing insurance programs of the United Kingdom, France, Germany, Italy and Japan provide approximately the same percentage of coverage.

also remain generally competitive with respect to the costs of their coverage.[25]

During the preshipment phase all insurers will protect against the insolvency of the buyer. During the postshipment phase, all insurers provide coverage with respect to the risks of insolvency of the buyer and protracted default. Only Eximbank and the Export Credit Guarantees Department (ECGD) provide coverage against the possibility of arbitrary nonacceptance by the buyer. Additionally, most agencies (including Eximbank) will include protection in political risk coverage against (i) the cancellation of an export license; (ii) the cancellation of import authority; (iii) the additional cost of transportation or insurance charges resulting from the diversion of the shipment, (iv) currency inconvertibility and transfer delays; (v) outbreak of war, hostilities, etc., which prevent payment; and (vi) expropriatory activities which prevent payment. Eximbank does not provide preshipment coverage with respect to the cancellation of a contract by a public buyer, although most other major exporting countries provide such coverage.

Since the function of any publicly supported export credit agency is only to encourage exports from its own country, a constantly recurring question is the extent to which the credit support is available when foreign content is incorporated into the product being exported. To a certain extent the posture of an export credit agency on such a question might be determined by the breadth of its domestic market and also by economic cooperation agreements to which it is a party (e.g., the EEC). Eximbank's basic policy is that the foreign content in transactions which it insures or guarantees may not exceed 10% of the contract value. Other countries limit the foreign content which is covered to 10-15%, such limitation, however, often being premised upon the local availability of the foreign product. Among EEC countries the foreign content portion might rise to 40% if the foreign item is of EEC origin.[26]

France, Germany, Italy and Japan, but not Eximbank, offer insurance against exchange rate fluctuations during the period that the exporter holds its foreign buyer's obligation.[27] Such insurance would be necessary where the

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[25]Most countries base rates upon two factors: (i) length of term and (ii) country of destination. Countries are graded by Eximbank in four categories (A through D), with the highest cost coverage being with respect to the D-rated countries (i.e., those evaluated as incurring the highest risk).

[26]The foreign content rules promulgated by the EEC are apparently to permit 40% maximum foreign content for contracts up to a value of $7.5 million, with slightly declining percentages above that amount. *See, e.g.*, the ECGD booklet entitled "Insurance Facilities of the British Government's Export Credits Guarantee Department," p. 30, indicating that there are reciprocal arrangements within the EEC by which the insurance given to a main contractor or supplier or buyer credit transaction for capital and engineering goods can include subcontracts placed in another member country for up to 40% of the value of the main contract.

[27]Under the Japanese Program administered by the Ministry of International Trade and Industry (MITI) foreign exchange losses of more than 3% (up to a maximum of 17% of contract value) may be compensated on transactions with maturities of two to 15 years. Exchange rate gains in excess of 3% must be remitted to MITI. Premium charges range from 0.8% to 1.5% per annum. *See*, reports 1975-1 and 1975-2.

country's exporters are to be paid in a currency other than that of the exporter's country. This may not be of real significance to United States exporters because their sales contracts are normally denominated in United States dollars.

ECGD has now implemented an insurance program to protect capital goods exporters against cost inflation which affects fixed price contracts. Such coverage is available above a specified level on the eligible part of export contracts for major capital goods, but not for plant and production machinery. Those contracts must be worth at least £2 million and have a manufacturing period of two years or more. The profit element and the non-United Kingdom goods portion of the contract are not eligible for such coverage. The supplier or buyer is to bear an annual cost increase equivalent to a minimum of 10% of the eligible part of the contract value. ECGD will cover 85% of the next 10% of such annual cost increase. France and Italy have instituted similar programs.

ECGD has also implemented a program whereby United Kingdom contractors who are unable to arrange performance bonds in the commercial market can apply to ECGD for the issuance of such bonds. Those performance bonds will only be issued with respect to contracts for cash or very short payment terms and having a minimum United Kingdom content of £20 million.

B. *Buyer Credit Programs*

The export credit agency may provide its own funds to enable a foreign purchaser to acquire United States goods, may guarantee credit extended directly to foreign buyers by financial institutions, or may combine such alternatives in an export financing package. The direct loan is often made to the buyer, but sometimes the seller. Such direct credits are used by most countries to support medium and long-term transactions. Eximbank provides such credits from its own funds only in support of long-term transactions (i.e., five years or longer).

Buyer credits are also available from export credit agencies in other large exporting countries, although often the agency used for this purpose by the foreign government is different from that used for issuing insurance and guarantees. Such programs have been implemented, for example, by France,[28] Germany,[29] Italy[30] and Japan.[31] The United Kingdom does not directly infuse its own funds into any export transaction, relying solely on the issuance of guarantees and insurance. However, ECGD does provide interest rate subsidies to the British banks providing the funds.

[28]Administered by the Banque Francaise du Commerce Exterieur (BFCE).

[29]The long-term credit program is administered by Kreditanstalt feur Weideraufbau (KFW). For medium-term credits a special fund supported by the German Central Bank and managed by Ausfuhrkredit Gesellschaft M.B.H. (AKA), a private agency, is available.

[30]Administered by Istituto Mobiliare Italiano (IMI).

[31]Administered by the Export-Import Bank of Japan.

1. EXIMBANK'S DIRECT CREDIT PROGRAM

Eximbank's program for buyer credits consists of a combination of a direct Eximbank credit and a financial guarantee issued to a commercial bank for the repayment of funds loaned by the commercial bank. During the years 1969 through 1973 the structure of the financing package was to require a 10% down payment from the foreign buyer with the remaining 90% portion being financed equally by the participating commercial bank and Eximbank. The interest rate on the Eximbank portion was 6% per annum and the interest rate on the commercial bank portion was negotiated between the private financial institution and the foreign borrower. Often the cost of the commercial bank financing to the foreign buyer was "floating" at an agreed rate above the prime rate. This commercial bank money was usually to be repaid in the early installments (e.g., the first one-half of the maturities), thereby moderating the total cost of the money with the least expensive borrowings being the last repaid.

During 1974, so as to preserve its cash position, Eximbank changed its format from the automatic 10-45-45 configuration for each of its buyer credits. As modified, the Eximbank direct participation was to range from 30 to 45%. In addition, other changes were simultaneously implemented. The interest rate, which had earlier been raised to 7%, was changed to be flexible within a range of 7% to 8.5%. The repayment guarantee fees were increased from a fixed 1/2% to a range of 3/4% to 1 1/2%. The cash payment requirements were changed from the generally standard 10% to a range of 10% to 20%. Also, Eximbank determined to reduce its coverage for repayment guarantees on the assumption that commercial banks could participate in direct credits with no guarantee or only a portion of their loan guaranteed. Apparently no definitive guidelines were made public as to when and how the decision would be made as to whether a transaction was to receive the most preferred or the least favored treatment, or be accorded status somewhere within those ranges.

During February 1975, Eximbank announced further increases in the ranges within which it will extend its own direct credits, liberalizing that range from 30% to 55%. Eximbank indicated that the remainder of the financing may be guaranteed by it, but did not indicate whether such would be the exception or the rule. Eximbank indicated that when there is no direct credit it may guarantee as much as 85% of an export transaction. Eximbank extended the range within which its interest rate will be pegged to be from 7% to 9%, later widened to a range of 8 1/4 % to 9 1/2% dependent upon the length of the term. Additionally, the commitment of its financial guarantee will incur a fee of 1/8%.

These new policies were implemented to permit greater flexibility in adapting Eximbank support to meet the requirements of a particular transaction. Eximbank will apparently extend a direct credit in an amount of 55% only in unusual situations. However, where the availability of credit is the major problem

then the transaction can be structured with a credit of 30% and a guarantee of 55%.

2. COMPETITIVE BUYER CREDIT SYSTEMS

To determine actual Eximbank competitiveness in the context of direct credits an analysis must be made of the following primary factors: (i) the types of transactions eligible for support; (ii) the percentages of the export price which can be financed; (iii) the duration of the repayment period; (iv) the interest rates (and associated borrowing costs); and (v) the responsiveness of the export credit agency. Apparently the several export credit agencies can support essentially the same types of transactions and, therefore, no disequilibrium exists in this context. In terms of repayment schedules supported, Eximbank support of longer term export financing through its direct credit-participation finance program is comparable with the support provided by its counterparts in Eurpoe and Japan.

Eximbank's direct credit-participation finance program has been more costly, however, than any of its competitors' programs. However, interest rates charged borrowers by Eximbank for long-term export credits were reported to be significantly more costly in late 1974, moderating somewhat in early 1975:

	Report 1975-1	*Report 1975-2*
United States	10.3-11.0%	8.8-9.5%
France	6.6-7.0%	8.2%
Germany	9.0-10%	8.5-9.2%
Japan	7.8-8.8%	7.8-8.9%
United Kingdom	7.8%	8.7-9.7%

The percentages of contract value normally supported by Eximbank's competitors are significantly larger. Eximbank's policy has been to hold direct lending to 30% in most cases, with the combination of credits and guarantees being held to 60% in most cases and only occasionally extended beyond that percentage. That policy has now been revised to provide greater flexibility, Eximbank having recognized that, by holding its participation in most export transactions to as low as 30%, Eximbank may have damaged the United States export effort. Other countries offer official credit for as much as 80% to 90% of the export price. Although Eximbank may again provide support up to 90% through a combination of direct credits and guarantees, a substantial portion of that 90% will continue to be commercial bank financing at then existing current commercial rates, making the United States financing package more costly.

Eximbank is, apparently, competitive with respect to the length of the term for repayment of its buyer credits. Eximbank's usual position has been that the length of the term should be dependent upon the size of the financing and the projected cash flows from the project. However, this is an area of substantial

dispute among capital exporting countries and various efforts are continuing to agree on limitations of repayment terms. One last element of comparison, whether or not Eximbank is as prompt in responding as its competitors to requests for support, is difficult to quantify.

C. *Refinancing Programs*

The export credit agency may provide a refinancing program with the primary function of such a program being to assure capital availability. Such a program is particularly needed during cycles of illiquidity when a commercial bank is much more oriented toward preserving its funds for its favored domestic customers. A refinancing program can effectively neutralize such liquidity concerns.

Pursuant to a refinancing program a commercial bank making a loan in an export transaction can, if the bank's liquidity position requires, exercise a "put" to the export credit agency. The commercial bank sells the export obligation to the export credit agency in exchange for immediate funds. Alternatively, the commercial bank may borrow funds from the export credit agency with the export obligation itself functioning as the collateral for the transaction. Government supported refinancing programs have been implemented by France,[32] Germany[33] and the United Kingdom,[34] as well as Eximbank.

1. THE EXIMBANK REFINANCING PROGRAMS

Eximbank denominates its refinancing facility as a "discount program," although in the traditional sense no "discount" is involved since the loans are made in an amount equivalent to the then unpaid balance of the foreign purchaser's obligation. Eximbank also has a program entitled as the "cooperative financing facility" which essentially functions as a discount program.

A. EXIMBANK'S BASIC DISCOUNT PROGRAM

Eximbank will make discount loans for up to 100% of an "eligible export debt obligation" arising from a United States export. Such an obligation must be the indebtedness of a foreign obligor, incurred in financing the acquisition of products or services exported from the United States, generally having an original maturity of 12 months or longer. The loan is usually made on the basis of the commercial bank's promissory note. In isolated instances Eximbank will purchase the obligation itself, with full and unconditional recourse on the commercial bank.

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[32]Functioning through the Bank of France.

[33]Functioning through the Deutsche Bundesbank and the Ausfurkredit Gesellschaft M.B.H. (AKA).

[34]Functioning through the Export Credits Guarantee Department (ECGD).

The interest rate which Eximbank charges the commercial bank on discount loans is one percent less than the interest yield on the export obligation but not less than the commercial bank's prime rate if a loan based on an advance commitment is requested within 90 days after the commercial bank has disbursed against the obligation. If the commercial bank requests a discount loan based on the advance commitment after 90 days, the interest rate which Eximbank charges on the discount loan will be the higher of one percent less than the interest yield of the obligation to the bank or the Eximbank borrowing rate in the private market. During late 1975 the discount loan program was limited to fixed rate export loans, thereby excluding floating rate obligations. Additionally, a commitment fee of 1/4 of one percent of the discount loan amount will be charged.

These discount loans are repayable in regular installments over a period not longer than the remaining repayment period for the underlying export debt obligation. The discount loan program is normally available only with respect to medium-term obligations. The obligation need not be insured by FCIA or guaranteed by Eximbank to qualify for the discount program.

B. EXIMBANK'S COOPERATIVE FINANCING FACILITY

The function of Eximbank's cooperative financing facility (CFF) is to enable small and medium size foreign buyers to obtain financing at reasonable cost from their local commercial banks with respect to the purchase of United States products. These foreign local banks are normally already financing other borrowing needs of their domestic customers and are in a much better position than Eximbank and a United States commercial bank to evaluate and assume risks of repayment. However, the buyer's domestic interest rate may be so high, or unavailable, so as to preclude the acquisition of substantial foreign capital equipment. Under the CFF program the buyer's bank can be put in funds by Eximbank for a substantial portion of the financing with interest at a rate substantially less than the rate normally applicable in the host country, enabling the purchase of United States capital equipment. These funds are provided under a previously established credit line made available from Eximbank.

The foreign buyer must make a minimum cash payment of 10% of the contract price to the United States exporter. The remaining 90% can be financed, with Eximbank providing one-half of the financing and the buyer's bank providing the other one-half of the financing. The buyer's bank may use its own resources to fund this portion of the financing package. Alternatively, it may borrow this segment from a third party (often a United States correspondent bank). Eximbank will, if desired, guarantee the repayment of funds loaned by the United States correspondent bank.

Eight percent interest is charged to the CFF on Eximbank's loan. The CFF is authorized to increase the cost of Eximbank's loan by no more than 2.5%,

so as to cover its costs and provide a reasonable profit, and to charge a market rate of interest on the portion of the loan it sources from its own funds or which it borrows from another financial institution. If Eximbank guarantees repayment by the CFF to its correspondent bank then the CFF is authorized to charge no more than 2.5% above its average cost of borrowing from Eximbank and the correspondent bank. The CFF can thereby assure the availability of moderate cost funds without, however, any assumption by Eximbank and any participating correspondent bank of the risk of nonpayment by the foreign purchaser to its own bank.

2. COMPETITIVE SYSTEMS

France, Germany and the United Kingdom each provide a discount program with respect to medium-term export loans. In France only that segment of medium-term export paper with a remaining maturity of three years or less is eligible for refinancing by the Bank of France. Germany limits its refinancing to transactions involving less developed countries. The United Kingdom provides more inclusive coverage, however, covering both medium and long-term loans. As noted above, the United States provides a discount facility for medium-term loans, but not for long-term loans.

The Bank of France provides refinancing for 100% of the eligible export paper. Germany provides refinancing only for 70% of the eligible export obligations. The United Kingdom provides 100% financing, but only for that portion of each bank's medium and long-term fixed rate export loan portfolio in excess of 18% of the bank's current account deposits. As noted above, Eximbank provides refinancing from the inception of the transaction with respect to 100% of the amount of the export obligation.

In order to qualify under the refinancing programs of France, Germany and the United Kingdom, the loans to be refinanced must be insured or guaranteed by the export credit agency. Eximbank does not impose any such requirement. Presumably this requirement is imposed by other countries so that their export credit agencies will be the recipients of fees charged in such situations.

The interest rate charge to the commercial bank is also of vital significance and, in this context, Eximbank is not competitive. The interest rate required by Eximbank has been described above. France provides for an interest rate of only 4.5%. Germany provides for an interest rate of 6.5%. The United Kingdom provides for a variable rate essentially equivalent in its method of determination to the system used by Eximbank with respect to discount arrangements more than 90 days after the commercial bank disbursement. Obviously, several of Eximbank's competitors substantially subsidize preferential interest rates through the mechanism of the refinancing program.

The usual refinancing programs function on the basis of funding individual transactions, after specific approval of that transaction. However, as described

above, Eximbank's CFF program functions on the basis of a preestablished credit line under which "sub-loans" are subsequently approved and funded. ECGD offers a facility not too dissimilar from this Eximbank program, but other competitor export credit agencies do not now offer such an arrangement.[35] Under the ECGD program an overall line of credit is established. However, these lines of credit are usually extended directly to foreign buyers rather than to intermediary banks, and ECGD thereby assumes the risk of nonpayment by the ultimate purchaser. These credits are implemented through United Kingdom commercial banks since ECGD does not function as a lending institution. Under the ECGD program the interest rate is subsidized (through the regular refinancing program) and the United Kingdom program is thereby more favorable than the Eximbank Cooperative Financing Facility.

III. Multinational Efforts to Reduce Credit Competition

A. *The Areas of Substantial Current Concern*

Since the financial terms and conditions are a very significant segment of any export transaction, multinational banks and corporations are continually searching out the best financing opportunities available from the export credit agencies of the primary capital exporting countries. The sourcing decision is dependent not only on the basic cost and reliability of the goods to be purchased, but also the financing available. The recognition by the export credit agencies of this decisionmaking process has led to substantial export credit competition in five primary areas:

a. applicable interest rate,
b. percentage of the export price financed,
c. length of the repayment terms,
d. local cost support, and
e. integration of development financing with export credits.

Efforts are being made to curtail export credit competition with, however, somewhat less than enthusiastic participation, particularly as economic conditions in the major petroleum-consuming nations continue to make substantial demands on their foreign exchange reserve positions. In any event, these efforts, primarily with respect to establishing an interest rate minimum level, continue.

[35]Report 1975-1 indicates that only ECGD has a program somewhat comparable to Eximbank's CFF program. The report also notes that a Berne Union ad hoc group submitted a report to the union's June 1974 General Meeting concluding that the practice of extending lines of export credit was expected to increase among export financing institutions.

1. INTEREST RATE

The interest cost directly impacts upon the overall cost of the transaction and, as the most visible element of a financing package, produces the greatest degree of competition. Eximbank argues that it cannot offer significantly lower than market interest rates, thereby being substantially disadvantaged, because: (1) other countries use appropriated funds to subsidize interest rates which can then be established at rates significantly below market interest rates, and (2) Eximbank can only use some of its capital and the interest-free reserves it has accumulated to moderate the rates it must pay to acquire its funds.[36] This argument is not compelling, however, since the Eximbank charter imposes no ironclad obligation on Eximbank to maintain its reserves intact whatever the current trade and financial conditions. The funds in its reserves (which ultimately are, of course, assets of the United States government), represent a source of capital upon which Eximbank can rely in financing its activities. The use of such funds would merely be as an alternative to a congressional appropriation. Assuming a credit subsidy to be appropriate for maintaining a competitive position, when appropriate Eximbank reserves should be used for this purpose.

2. PERCENTAGE OF EXPORT PRICE FINANCED

Eximbank has directly supported a far smaller percentage of exports than most of its competitors. This is largely a result of the spending limitations imposed on Eximbank by the United States Congress and is also partly an outgrowth of the concept that Eximbank must maintain its participation financing program to avoid competition with the commercial banking sector. During 1974 Eximbank seemed to be confused as to whether (1) to directly support a smaller portion of each export transaction (thereby spreading its resources to a greater number of transactions) or (2) to continue to support a larger portion of a more limited number of transactions. The ultimate consideration for Eximbank necessarily should be the number (and volume) of transactions in which United States exporters are successful bidders (with or without Eximbank support). Apparently, in the process of reducing its commitment percentage for lower cost money, the United States has lost an increasing number of export transactions to other countries. This impact was obviously recognized in Eximbank's February 1975 decision to improve its direct participation in certain transactions. This will, presumably, result in a more limited number of export transactions receiving Eximbank support. However, such a program will require increased selectivity on the part of

[36]Report 1975-1, p. 5.

Eximbank in determining whether government supported financing is really essential to enable a United States-sourced export transaction to proceed.

3. MIXED CREDITS

In its competitiveness report, Eximbank has observed that other countries (primarily France, Germany and Japan) combine loans for development assistance with export credit to offer lower overall rates and longer terms.[37] Much of this difference results from the varying perspectives of the United States and foreign country development aid programs. The United States AID program is substantially directed towards infrastructure development, i.e., the construction of highways and dams and the support of education, health and agricultural programs. Although AID has periodically implemented a United States required procurement policy, little real opportunity exists in this context to encourage United States sourcing for significant United States commercial project exports and, particularly, blending AID financing with significant industrial projects.

Other industrialized countries use their development assistance programs for loans to support projects such as power plants, steel mills, paper mills, sugar refineries, railroads, textile plants, mining, fishing and lumbering projects. Eximbank supports such projects only under its direct credit-participation financing program whereby funds are provided exclusively on hard credit terms. This significant difference in governmental approach can adversely affect Eximbank's competitiveness in large projects and this is an area in need of substantial United States attention and study.

4. LOAN MATURITIES

The export credit agencies of other industrialized countries primarily provide support for medium-term transactions involving sales of manufactured products, capital goods, and the like. Support for longer-term transactions is often provided through a development aid package. Because in the United States Eximbank (rather than AID) provides support for larger projects, repayment terms longer than five years are essential. This is particularly significant where highly sophisticated United States technology and other high cost items are involved.

Eximbank's usual position is to structure repayment terms on the basis of the ability of the cash flow from the project to liquidate the indebtedness. Eximbank's competitors argue that specific maturity limitations should be imposed.

[37]Report 1975-1, p. 6, for example, that a ten-year loan at 7.5% can be converted, in effect, to a 15-year loan at 6% by blending it with a typical development assistance loan maturing in 20 years at 4.5%.

Such restrictions would obviously impact most adversely upon Eximbank. The appropriate approach in this context certainly seems to be to premise repayment schedules upon the reasonably anticipated financial flows from the project.

5. LOCAL COSTS

Substantial costs are normally incurred in the host country in connection with projects involving the construction of a manufacturing facility, mine, steel mill, etc. Under its project financing program Eximbank will provide its guarantee with respect to an offshore loan in an amount not exceeding 15% of the value of the associated United States exports and used for such local costs. Other industrialized countries provide significantly larger local cost support. Additionally, such financing is on a direct loan (rather than guarantee) basis, thereby enabling these lenders to provide low (i.e., subsidized) interest rates. For many purchasers the availability of financing for local costs has thereby become a significant element in the import purchase decision.

B. *Organizational Efforts to Reduce Credit Competition*

The export credit competition described above has led to a recognition that this whole process of export credit warfare can eventually be self-defeating and that some mutually agreeable restraint measures must be implemented to curtail such activities. Several organizations are now attempting to limit such competition in various sectors and, additionally, certain ad hoc efforts have recently evolved particularly to limit interest rate subsidies.

1. THE BERNE UNION[38]

Created by the export credit agencies, the Berne Union was organized primarily to coordinate activities with respect to short and medium-term credits. Both Eximbank and FCIA are United States members of the Berne Union. The primary focus of the Berne Union is to work for the international acceptance of sound principles of export credit and the establishment and maintenance of discipline in the terms of credit for international trade. These efforts towards uniformity of repayment terms are primarily pertinent to goods involved in medium-term transactions.

The Berne Union has developed a system for the prompt exchange of infor-

[38]The Berne Union's precise name is "Union d'Assureurs des Credits Internationaux." It has approximately 30 members from 24 countries, ranging from private organizations insuring only buyer risks for their own account, through various types of mixed organizations, to governmental departments and statutory bodies.

mation with other credit insurers with respect to contracts in negotiation and, particularly, with respect to the credit terms being offered by any member. The concept that a competitor export credit agency can immediately verify terms offered elsewhere is presumably an inhibiting factor on the extension of an unreasonable repayment term with respect to any individual transaction.

2. THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD)

The Export Credits Group of the OECD also functions on a regular basis to inhibit credit competition. Its primary focus is with respect to credits in excess of five years. The Export Credits Group has been pursuing a number of projects in furtherance of this purpose, including (i) sector agreements, (ii) local cost guidelines, and (iii) an information exchange and notification procedure.

Two sector agreements have been implemented, one with respect to financing ground satellite stations and the other concerning the financing of ships. The United States is not, however, a party to the ship financing agreement. Discussions are also proceeding with respect to sector agreements for the financing of commercial aircraft and nuclear power plants. OECD members are also in the process of negotiating an agreement limiting local cost financing.

C. *Ad Hoc Efforts to Reduce Credit Competition*

1. THE "GENTLEMEN'S AGREEMENT"

Since prior to the 1974 meetings of the World Bank and the International Monetary Fund, efforts have been underway among the principal exporting countries on a "gentlemen's agreement" which would include minimum interest rates and maximum repayment terms for officially supported export credits. These efforts have been conducted outside the jurisdictional boundaries of any established international body. A gentlemen's agreement as to basic interest rates and terms for export credit transactions generally would, of course, complement the efforts of the OECD Export Credits Group towards sectoral agreements.

Progress has been slow in negotiations for a gentlemen's agreement since each country has a different institutional structure and mix of exports. Different credit policies have been developed to meet the particular needs of their exporters who have come to rely on those policies. This makes it difficult to develop rules or restrictions which do not impinge more heavily on the exports of one country than they do on those of another. These efforts are apparently continuing with, however, some difficulties, some countries emphasizing interest rates and others emphasizing the length of loan maturities.

2. THE WASHINGTON MINUTE

During the October 1974 annual meetings of the International Monetary Fund and the World Bank, high level finance officials discussed the matter of greater conformity between export financing interest rates and the general worldwide increase in interest rates. Representatives participating were from France, Germany, Italy, the United Kingdom and the United States. The countries present were to pledge that public support for the interest rates of each commercial export credit of a length longer than five years would be devised so that a rate at least equal to 7.5% would prevail. The participating countries were also to commit themselves not to provide official support to export credits of a length longer than three years for export transactions among themselves and with the wealthier oil producers.

The Washington Minute has not been implemented. However, these efforts have, presumably, provided some further impetus for continued discussions towards concluding a "gentlemen's agreement."

IV. Improving the United States Export Credit Competitive Position

Notwithstanding the current efforts towards eliminating, or at least reducing export credit warfare, substantial export credit competition between the primary capital exporting countries will certainly continue for the immediate future. Recognizing that situation, several specific initiatives should be undertaken to improve the United States export credit position vis-à-vis the other primary capital exporting countries: (i) greater conservation of resources, administrative efficiency and innovative financing by Eximbank; and (ii) legislative initiatives to establish a new lending facility to permit combined export credit development financing for large private-sector industrial projects in less-developed countries.

A. *Eximbank's Obligations*

1. GREATER SELECTIVITY

In implementing a reduction in the direct Eximbank participation in long-term credits the ostensible objective was to spread the Eximbank resources over a larger number of potential subjects. Some of the changes implemented during 1975 essentially recognized that this effort was self-defeating and that the more costly United States export credit package was diverting substantial business to non-United States sources.

Assuming continued restrictions by the United States Congress on the Exim-

bank commitment authority, a careful conservation of its resources is required, which might best be accomplished by:

i. a carefully implemented policy against providing support where the capital goods or services are certain to be sourced from the United States. This might occur, for example, where the United States essentially has a monopolistic position in some product sectors, whether due to price or technological differences.
ii. a different mix of private sector credit (supported, if necessary, by Eximbank guarantees) in the overall Eximbank project financing package. For example, institutional lenders such as pension plans, insurance companies and savings and thrift institutions may be willing to take extended maturities if the importer's obligation is transformed into a United States government obligation through the use of an Eximbank guarantee.

Additionally, the private United States banking sector may itself be adequate in certain limited transactions to provide solely nongovernment supported financing on a competitive basis. However, in other situations exclusively Eximbank funding at subsidized rates might be appropriate.

2. PUBLIC AWARENESS OF FINANCING CRITERIA

In order to permit the United States exporter to function efficiently in the world market place, (i) he must have fairly definitive ideas as to precisely how the Eximbank participation financing program will be implemented, and (ii) in any event, he must receive a prompt commitment from Eximbank so that the exporter can offer a timely credit proposal to his potential purchasers. With a flexible scale of commitment for direct credits ranging from 30% to 55%, many exporters do not presently know whether their transactions will qualify at the top or bottom of this range and, therefore, cannot readily identify the financing cost for his customer. Eximbank should publicly provide definitive guidelines as to (i) which transactions will qualify for Eximbank direct credit support; and (ii) which percentages within the currently authorized range will be pertinent to particular categories of transactions.

B. *Reorienting the United States Congressional Perspective*

1. EAST-WEST TRADE

The suggestions above are premised upon Eximbank making maximum use of the flexibility available under its current legislation to structure export credit programs which are competitive. Some Eximbank activities, however, are too narrowly restricted and the permissible scope of Eximbank programs certainly needs to be expanded. This observation is particularly appropriate with respect to Eximbank's participation in East-West trade, because in the enactment of

the Export-Import Bank Amendments of 1974 the access of communist countries to Eximbank programs was considerably limited.

The ultimate destination of exported products should not be relevant in such context, whether such destination is developed, less-developed, or communist-bloc countries. Other countries, recognizing the potential for communist-bloc sales, have stepped into this void. The Congress should belatedly recognize the ill-advised nature of these restrictions and restore the competitive position for Eximbank, and, particularly, United States exporters, in this substantial developing market.

2. CONSTRUCTING A SPECIAL LESS-DEVELOPED COUNTRY EXPORT CREDIT FACILITY

One of the major concerns of Eximbank, as registered in its competitiveness reports, is the mixture by other countries of export credits in conjunction with development aid. That development aid is made available in large project type financing where Eximbank only extends hard (although lengthy) terms molded to the cash flow projections for the project. No other United States agency is available to provide a combination of export and aid financing. The real difficulty is the difference in focus. From the United States perspective loans to support projects such as steel mills, nuclear power plants, and automobile manufacturing facilities are entirely commercial transactions, and United States development assistance is limited to public sector activities such as health, welfare and education. For other major exporting countries, however, development assistance includes activities as conducted in the private sector in most developed countries (such as steel plants and manufacturing facilities), and is not to be limited to infrastructure projects. To bridge this gap a new United States funding facility should be developed to provide, particularly for the poorer, less-developed countries, such mixed export credit and development aid.

A. THE PRIOR EXPORT DEVELOPOMENT CREDIT FUND PROPOSAL

During the 1973 congressional hearings and debate over the proposed "Mutual Development and Cooperation Act of 1973," the Foreign Affairs Committee of the House of Representatives was examining such a proposal in a very embryonic form.[39] At that time several committee members proposed an "Export Development Credit Fund" which would have been "a new facility to expand United States exports" and which could simultaneously "advance the

[39] *See* H.R. 8258, 93d Cong., 1st Sess., and, particularly, proposed §§ 801-809. *See also* S. 2335, 93d Cong., 1st Sess., incorporating a similar proposal with respect to the estabishment of such a fund.

development of the approximately 1 billion people who live in the lowest-income countries of Asia, Africa and Latin America."[40] The specific proposal was to utilize repayments from their outstanding development loans to subsidize the interest rates on export credits to the poorest of the developing countries. The United States export effort would thereby be assisted, while simultaneously enabling low-income countries to purchase United States goods and services needed for their development.

The committee noted in the explanation of the proposed Export Development Credit Fund that United States exports, increasing significantly on an overall basis, had been declining in the lowest income countries both in their absolute volume of sales and as a share of the market. United States export sales to these countries were reported to be financed almost exclusively by AID programs, with only 9% of the financing coming from the Eximbank. The explanation was that these poorer countries do not have the debt servicing capacity for a substantial volume of loans on standard Eximbank terms. This market of about one billion people (in noncommunist areas) is obviously important at present and promises to grow more significant in the future.

The underlying premise was that this new fund would offer concessionary financing for United States exports to the poorest countries. The committee did not really decide whether such new fund should be administered by Eximbank, the Department of Commerce, another already, existing governmental agency, or as a newly created separate entity. The committee did suggest that the interest subsidy cost be covered with repayments received by the United States government on then outstanding foreign assistance loans. However, the concept of an export development credit fund did not generate sufficient support in the Senate and was abandoned in the deliberations on the foreign assistance act legislation in 1973.

B. SUGGESTIONS FOR IMPLEMENTING THIS CONCEPT

The basic concept of an export development credit fund was a valuable suggestion when made, is still a valid response to the problem, and should be implemented. A number of valid objectives could thereby be accomplished, including: (a) making the United States export credit system competitive with the mixed credits provided by other governments to less-developed countries; (b) helping in the development of those countries, while simultaneously encouraging responsible money management requiring repayment over reasonable schedules which, however, are not so short as to mandate almost certain

[40]Mutual Development and Cooperation Act of 1973, Hearings before the Committee on Foreign Affairs, House of Representatives, 93d Cong., 1st Sess., p. 508. The low-income countries were defined for such purposes as those countries with a per capita GNP below $200 per year.

default; (c) assisting United States exporters in completing sales which would otherwise be lost due to noncompetitive credit conditions; (d) developing new export markets, and (e) developing possible access to scarce raw material sources.

i. How Should an Export Development Credit Fund Be Structured?

Questions which will need to be analyzed in structuring a special fund with the twofold purpose of assisting both United States exporters and less-developed countries include:

x) What countries should be eligible for extended loans under such a fund? Should the categorization be made on the basis of per capita GNP or some other criteria?

y) What should be the interest rate differential between this fund's interest rate and (1) Eximbank's interest rate, and (2) the commercial market rate? Should the interest rate differential be variable, dependent upon (a) the size of the transaction, (b) foreign competition, or (c) foreign policy considerations?

z) What should be the differential in the length of the term of loans from this facility and from Eximbank?

ii. Who Should Administer an Export Development Credit Fund?

Suggestions have previously been made that an export development fund should be administered by various agencies, including Eximbank, the Department of Commerce, or AID. Alternatively, such an entity might be administered by a new agency. The author suggests that such a fund should be administered by Eximbank, functioning through a separately identifiable "economic development loan" window. The reasons supporting such suggestion are:

i. Eximbank presently has developed substantial capabilities for evaluating loans in the banking-commercial context, and functions with that type of perspective, rather than a viewpoint premised primarily upon social welfare and infrastructure development and
ii. In an individual case involving a less-developed country Eximbank can thereby determine whether to use its regular direct loan-participation financing facilities or this more flexible fund. In such an instance Eximbank should be required to document the need for its resort to longer than usual commercial terms.

Eximbank might register institutional objections to being required to administer such a fund, since the perspective of such a fund is not strictly commercial. An underlying reason for such objections might really be that Exim-

bank is not now dependent upon congressional appropriations to support its activities, relying, rather, upon the income and reserves generated by its banking activities. The need to request appropriations for a special fund, Eximbank might feel, would cast that institution in a different light in its dealings with the Congress. Such a perspective is too narrow, however, and those members of the appropriate congressional committees who desire to function responsibly will, if they want to, realize the difference between the two functions, treating them accordingly. The inquiry must ultimately be which entity can most effectively administer such a program premised upon its institutional experiences and perspective.

C. SIGNIFICANCE OF SUCH A FUND

The essence of this proposal is that several objectives can be accomplished, such as restoration of export credit competitiveness and the development of significant future market potential, while avoiding the aura of aid grants which are not politically feasible and not really desirable on a long range basis. This is an idea which again deserves serious consideration.

V. **Conclusions**

Export credits continue to constitute a highly significant element in the completion of export transactions. Other countries have determined that exports are essential to maintaining a vital domestic economy and accordingly, pursue aggressive export credit competitive practices. The United States (through Eximbank) must act affirmatively to limit the export credit warfare. The United States should also recognize, however, the need for the development of a more flexible export lending facility for commercial-type export transactions with less-developed countries, and such a concept should be implemented by the United States Congress.