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The Honorable Daniel K. Inouye
Chairman, Subcommittee on Foreign Operations
Committee on Appropriations
United States Senate

Dear Mr. Chairman:

R 5300

As requested by the Committee on Appropriations in Senate report 93-620, we made a study of the Export-Import Bank of the United States (Eximbank), to determine whether it was providing full services and support to smaller exporters.

Eximbank services are designed to promote U.S. exports by helping to finance amounts owed by the exporters' overseas customers. Eximbank accomplishes its purpose primarily by making direct loans to buyers and by guarantying buyers' obligations to others, but it does not provide direct financial assistance to the exporters. Consequently, when Eximbank reviews a request for services, it usually has no need to determine the size of the exporter but concentrates on assessing the ability of the buyer to pay.

Eximbank records identify exporters participating in its programs and, from a sample examination into these records, we determined that approximately:

- 28 percent of the exporters comprised some of the thousand largest companies in the United States or their subsidiaries.
- 72 percent were smaller exporters of various sizes, of which at least half qualified as small businesses under criteria established by the Small Business Administration (SBA).

In terms of value financed, the reverse was true. For example, of \$8.5 billion in financing applicable to exporters from New York State, about \$5 billion represented sales by large exporters. The number of export transactions and the value of individual sales of a large exporter are usually greater than those of a smaller exporter.

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We contacted a number of small exporters who had participated in Eximbank programs; most of them had no complaints about Eximbank's services, and only a few identified areas needing improvement. However, many of them believed that either Eximbank or SBA should expand services to them.

In April 1973, SBA stated in a comprehensive report to its legislative committee in the House of Representatives that a number of Federal agencies, especially Eximbank and the Department of Commerce, were actively providing assistance to exporters irrespective of their size. The report concluded, however, that small exporters needed additional assistance and that SBA would be in a better position to meet this need if it had the necessary funds and personnel.

A major part of SBA's proposal concerned the need of small exporters for access to sufficient capital so that they could increase export sales. SBA recognized that the capital needs of small business were within its area of responsibility but stated that its loan funds were too limited to permit a special program emphasizing loans to exporters.

In May 1973, the president of Essco Incorporated of Seattle, Washington, a small exporting firm, testified before the Subcommittee on Foreign Operations. He represented his company as one having limited capital; criticized Eximbank for not giving his company sufficient support; and advocated that Eximbank reevaluate its loan criteria, set aside funds especially for small exporters, and make loans directly to them.

We determined that Essco's main problem was a need for capital to permit the acquisition of marine cargo containers which Essco planned to lease to a Japanese company. Eximbank had agreed to provide its normal support for Essco's proposed lease covering 1,000 containers, but Essco had needed additional financial assistance before the transaction could be consummated and had been unable to obtain it.

As previously indicated, Eximbank seeks to help U.S. exporters by providing buyer financing, but it does not give direct financial assistance to exporters. SBA is the established agency currently responsible for helping such small exporters as Essco overcome problems caused by having insufficient capital.

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Although this report may be of interest to others, we will not release it unless you agree or publicly announce its contents. We have not provided this report to Eximbank for its review and comments.

We shall be pleased to further discuss the results of our study at your request.

Sincerely yours,

A handwritten signature in cursive script that reads "James B. Stacks". The signature is written in black ink and is positioned above the printed name and title.

Comptroller General
of the United States