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For Immediate Release  
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Grassley Urges Export-Import Bank to Better Screen Funding Projects

WASHINGTON – Sen. Chuck Grassley, ranking member of the Committee on Finance, today urged the head of the Export-Import Bank to screen funding projects more carefully in the future in light of yesterday’s report pointing out shortcomings. The text of Grassley’s letter follows here.

October 16, 2007

The Honorable James H. Lambright  
Chairman and President  
Export-Import Bank of the United States  
811 Vermont Avenue, N.W.  
Washington, D.C. 20571

Dear Mr. Lambright:

I am writing with regard to the report of the U.S. Government Accountability Office (GAO) titled *Export-Import Bank: Improvements Needed in Assessment of Economic Impact* (GAO-07-1071). GAO released this report publicly yesterday.

I requested that GAO conduct the investigation that resulted in this report. I did so after learning that the Export-Import Bank (Ex-Im) financed the construction of an ethanol dehydration plant in Trinidad and Tobago. Specifically, I was concerned that this financing may have been provided in contravention of requirements imposed on the bank under the Export-Import Bank Act of 1945.

The Export-Import Bank Act states that Ex-Im may not provide financing for any project that would cause “substantial injury” to U.S. producers of the same product. Under the statute, “substantial injury” occurs if the increase in foreign production brought about by the financing meets or exceeds 1 percent of U.S. production.

As discussed by GAO in its report, Ex-Im’s internal policy provides that detailed economic determinations will not be made for financing requests of \$10 million or less. GAO notes the

following:

Ex-Im has not determined whether it removes from review those projects that could meet the statutory definition of substantial injury (producing 1 percent or more of U.S. production in an industry). For example, a \$9.9 million financing request that would allow a foreign company [in Trinidad and Tobago] to produce an estimated 3.5 percent of U.S. [ethanol] production was screened out of the analysis.

The GAO also questions Ex-Im's contention that the financing of the Trinidad and Tobago plant would not cause "substantial injury" to U.S. ethanol producers as this plant would not "produce" ethanol, but merely "add value" to it, thus ostensibly decreasing its output and placing it well below the 1 percent marker. Ex-Im made this argument in its economic impact analysis of the financing of this project that was mandated by Congress – well after the financing was approved – in the Consolidated Appropriations Act of 2005.

GAO found that Ex-Im does not systematically use the value-added approach, an approach that GAO describes as "proportionality." In discussing the Trinidad and Tobago financing, GAO notes that Ex-Im did not apply proportionality in a similar "refinement" project involving another commodity.

It appears to me that Ex-Im used the proportionality concept as an after-the-fact excuse to justify the Trinidad and Tobago financing. Ex-Im did so once Congress pressed the bank for an explanation as to how financing of the ethanol plant in Trinidad and Tobago fit within Ex-Im's statutory mandates. After all, as noted by GAO, the use of proportionality "can change a net negative determination to a net positive determination."

The GAO's findings reinforce my view that Ex-Im's financing of the Trinidad and Tobago project was at odds with Ex-Im's statutory obligations and should not have been provided in the first place. I understand, however, that the financing and construction of the ethanol plant are complete. I urge Ex-Im to take steps to see that the bank does a better job in the future of screening projects to see that they comport with its statutory requirements.

In closing, I would appreciate an opportunity to meet with you in the near future to discuss the GAO's findings as well as how Ex-Im intends to address the recommendations made by the GAO to correct deficiencies in Ex-Im's assessment of economic impact.

Sincerely,

Charles E. Grassley