



Export-Import Bank of the United States

1998 Annual Report

CHAIRMAN'S LETTER

As the Export-Import Bank of the United States (Ex-Im Bank) enters its 65th anniversary year, it faces more challenges than perhaps at any other time in its history. These challenges are related to the economic turmoil



experienced in developing markets such as Asia and Russia during the past year. I am proud that Ex-Im Bank responded quickly and effectively to the economic downturn that continues to threaten the growth and prosperity of much of the developing world. It was a difficult year for Ex-Im Bank, U.S. exporters, and their

customers, but by working together, we were able to maintain vital export flows.

Filling the Finance Gap

The serious credit shortage resulting from the exodus of private financing from the developing world this past year made Ex-Im Bank's mission more important than ever. We were called upon to fill the gap in trade financing so that buyers in emerging markets could make purchases of U.S. commodities, spare parts, and capital goods, and U.S. exporters could complete pending transactions.

Ex-Im Bank's ability to deliver critical export financing in a difficult world economic environment was enhanced by the Bank's strong foundation built upon internal leadership, bipartisan congressional support, significant budget increases, and essential management improvements. Ex-Im Bank began fiscal year 1998 with overwhelming, bipartisan backing from Congress for its mission to support U.S. exports and sustain U.S. jobs, demonstrated by a reauthorization vote in October 1997 that extended the agency until the year 2001. Ex-Im Bank finished the fiscal year with a significant increase in its program budget that was approved by Congress in October 1998, again with bipartisan support. The Bank also completed a management reorganization to ensure that programs are administered as efficiently as possible.

Expertise and Innovative Programs

During the past 65 years, Ex-Im Bank has been recognized for its expertise in helping U.S. businesses compete against tough foreign competition in the developing world. Our ability to manage the political and commercial risks associated with international trade in emerging markets helped meet the need for export financing in the markets affected by world economic difficulties in 1998. For example, Ex-Im Bank initiated export credit programs for Korea, Thailand, and Indonesia. We estimate that the short- and medium-term portion of the Korean program alone will result in approximately \$3 billion in exports of U.S. goods and services over a two-year period — U.S. exports that would not have been sold without Ex-Im Bank financing.

At an address to the Council on Foreign Relations in September 1998, President Clinton praised Ex-Im Bank's initiatives to support trade between the United States and the developing world. He encouraged the Bank to explore ways to apply the innovations developed for Asian markets to other parts of the world. Our objective for the coming year is to combine Ex-Im Bank's expertise in risk management in emerging economies with innovative financing solutions to support as many creditworthy transactions for U.S. exporters as possible.

Prudent Management of Resources

Ex-Im Bank will continue the rigorous management of its existing portfolio of assets. The prudent management of its exposure risk is a hallmark of Ex-Im Bank's 65 years of success. It is also a responsibility to American taxpayers that the Bank takes seriously. We have taken several steps this year to assure that Ex-Im Bank's assets, and American taxpayer interests, are protected. We added a number of U.S.-based specialists in portfolio management and loan restructuring to our staff in Washington. At the height of the crisis, Ex-Im Bank dispatched an asset management professional to Asia to continuously monitor the unfolding economic situation in the region, as well as the Bank's Asian assets. We have made certain the Bank is well-

reserved against possible losses resulting from global economic problems. I am fully confident that Ex-Im Bank will be able to manage its existing portfolio at the same time that it continues to finance creditworthy exports of U.S. goods and services.

Enhanced Customer Service

While global economic developments required much attention from staff and me during the course of the year, our attention was never diverted from our important job at home. Ex-Im Bank continued to support U.S. exporters with the financing products they needed.

To learn what more Ex-Im Bank can do to support U.S. exporters and to protect American jobs, I met with exporters, Delegated Authority lenders, City/State partners, and state trade development agencies in 18 cities across the country during the past year. In response to our customers, Ex-Im Bank increased the maximum lending level for Delegated Authority lenders under its Working Capital Guarantee Program and instituted an additional program to reach underserved markets and customers, including women- and minority-owned businesses. We introduced new products, such as pre-completion coverage for project finance transactions, while improving processes for others. Indeed, providing simplified access to Ex-Im Bank and its programs is one of our principal objectives. A critical path into our agency is through our award-winning Web site that offers exporters immediate service (including access to all of our application forms online) to make export financing easier than ever. During the course of the coming year, we will actively seek other ways to streamline our programs and processes to make them more accessible for all exporters, particularly for small and medium-sized companies.



As I consider the challenges ahead, I am convinced that Ex-Im Bank's response to the global economic downturn in 1998 will be recognized as an important chapter in Ex-Im Bank's successful history. Ex-Im Bank has made a difference in moderating the effects of the global crisis, both in the developing world and here in the United States.

I am determined that over the course of fiscal year 1999, Ex-Im Bank will continue to demonstrate its value to its most important constituents: the American taxpayers. Our mission to support U.S. exports and sustain American jobs becomes even more critical in difficult economic times. I have every confidence that Ex-Im Bank is up to the task and that we will continue to make a difference — as we have done since 1934, as we did in fiscal year 1998, as we are doing in fiscal year 1999, and as we will continue to do well into the 21st century.

A handwritten signature in black ink, appearing to read "James A. Harmon".

James A. Harmon
President and Chairman

EXPORT FINANCING WHERE AND WHEN IT IS NEEDED

In 1998, U.S. exporters experienced an unsettling year of economic volatility in the global marketplace. The exodus of private sources of financing from the developing world literally stopped trade flows in countries such as Korea, Thailand, and Indonesia. Limited credit caused critical export financing gaps in many emerging markets where U.S. sales are important for domestic and international commerce.



The Export-Import Bank of the United States rose to meet the challenge of these difficult market conditions in fiscal year (FY) 1998 with strong leadership, effective financing programs, and the long-term view that developing markets,

although subject to cyclical conditions, still generate export opportunities. Throughout the year, Ex-Im Bank responded with innovative risk management and export financing that reopened and preserved trade flows between U.S. exporters and their buyers throughout the world.

Ex-Im Bank's success in FY 1998 can be measured in the nearly \$13 billion in goods and services that 2,060 U.S. exporters sold worldwide with the assistance of \$10.5 billion in Ex-Im Bank financing.

Now more than ever, Ex-Im Bank is making it possible for U.S. companies to realize the opportunities in foreign sales and establish the market share in emerging markets that will ensure U.S. economic growth into the 21st century.

“Ex-Im Bank is vigorously pursuing its mission to support U.S. exports and sustain American jobs by providing exporters the loans, guarantees, and insurance products they need to compete in the global marketplace. Our programs and commitment to effective customer service will continue to make Ex-Im Bank a responsive partner in U.S. export trade.”

James A. Harmon
President and Chairman

SMALL BUSINESS AUTHORIZATIONS

(\$ millions)

	Number		Amount	
	1998	1997	1998	1997
Export Credit Insurance	\$1,534	\$1,557	\$1,659	\$1,060
Working Capital Guarantee	265	301	369	367
Guarantees	63	73	192	306
Total Guarantees and Insurance	1,862	1,931	2,220	1,733
Loans	2	4	9	44
Grand Total	\$1,864	\$1,935	\$2,229	\$1,777

Note: A total of 369 small businesses receiving Ex-Im Bank's assistance during the year had not previously participated in the Bank's programs.

FY 1998 AT A GLANCE

Total Financing

- Ex-Im Bank financing helped 2,060 U.S. exporters make foreign sales in FY 1998.
- Ex-Im Bank authorized \$10.5 billion in loans, guarantees, and export credit insurance, supporting nearly \$13 billion of U.S. exports to markets worldwide.

Small Business

- Ex-Im Bank authorized \$2.2 billion in financing to support exports by small businesses — 21 percent of total authorizations, well beyond the 10 percent set-aside of financing for small business mandated by Congress.
- Ex-Im Bank approved 1,864 small business transactions — 85 percent of the total number of Ex-Im Bank transactions.
- In FY 1998, 369 businesses used Ex-Im Bank programs for the first time.
- Ex-Im Bank authorized a total of \$388 million in working capital guarantees, \$369 million of which benefited small businesses. Of the 275 working capital guarantee transactions authorized, 265 were for small businesses, representing 96 percent of the transaction volume.
- Small businesses were issued 1,534 export credit insurance policies — nearly 90 percent of the total number of Ex-Im Bank's policies. Small business insurance authorizations totaled \$1.7 billion, 39 percent of the total amount of insurance authorizations.

Export Credit Insurance

- Ex-Im Bank authorized \$4.3 billion to support 1,731 insurance policies under the Export Credit Insurance Program.
- Filling the gap in export credit caused by the Asian financial crisis, Ex-Im Bank authorized approximately \$1 billion to support short-term letters of credit for U.S. goods and services sold to Korea.

Aircraft

- Ex-Im Bank authorized \$2.6 billion to finance the export of U.S. large commercial aircraft to emerging markets throughout the world.

Environment

- Ex-Im Bank authorized more than \$284 million in loans, guarantees, and export credit insurance to support environmentally beneficial U.S. exports.

Energy

- Ex-Im Bank supported 19 transactions involving U.S. exports to foreign power projects, with a total export value of \$1.3 billion.

Services

- Ex-Im Bank's loan, guarantee, and insurance authorizations assisted in the export of a wide range of U.S. services (such as engineering, design, consulting, and training), of which the total export value was \$332.5 million.

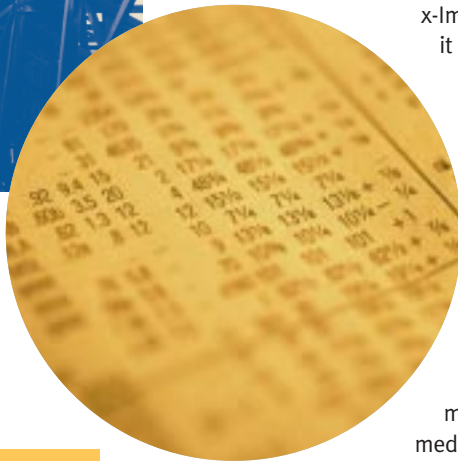
Agriculture

- Ex-Im Bank helped to finance the export of \$74 million of U.S. agricultural commodities, livestock, foodstuffs, and related products, and \$189 million of agricultural equipment, chemicals, supplies, and services.

“Ex-Im Bank’s ultimate goal is to make its export finance services known and available in every community throughout the United States. We are especially working to develop small and rural export business opportunities through targeted financing programs, streamlined application procedures, and strengthened outreach efforts.”

Jackie M. Clegg
First Vice President
and Vice Chair

ACCESS TO FINANCING



Improved, Streamlined Processes For Faster Financing

In response to customer needs and changing market conditions in FY 1998, Ex-Im Bank has made important changes to its financing programs that have enhanced customer service and made its financing products more competitive.

Medium-Term Credit Standards: 20-Day Turnaround For Faster Financing, Competitive Bidding

Ex-Im Bank's new medium-term credit standards are simplifying and expediting the processing of most medium-term transactions, including insurance policies, direct loans, and guarantees, and feature a 20-day turnaround from completed application to approval. The new credit standards define the criteria Ex-Im Bank uses in evaluating the creditworthiness of the primary source of repayment in medium-term transactions, a critical clarification that simplifies the application process.

Financing Tools Especially For Small Business:

Export Credit Insurance

Export credit insurance is a financing tool, which is the number one reason businesses purchase it. Most banks are more likely to discount receivables or allow them in the collateral base if they are insured, which makes more working capital available to businesses.

Ex-Im Bank's export credit insurance protects U.S. exporters and lenders against the risks of a foreign buyer defaulting on payment for either commercial or political reasons. Additional benefits include the ability to offer foreign buyers competitive terms of payment, to assign proceeds of policies to a financial institution, and to access working capital by enabling banks to discount foreign accounts receivable or include them in the collateral base.

Ex-Im Bank's export credit insurance policies offer coverage for:

- single or repeat export sales,
- financing or operating leases,
- a single buyer in one country or multiple buyers in several countries,
- comprehensive (commercial and political) risk or political-risk-only coverage.

Short-term policies (payment terms usually up to 180 days) support exports that include consumer goods, equipment, spare parts, and raw materials.

Medium-term policies (payment terms up to five years) support exports of capital goods and services on transactions valued up to \$10 million. Medium-term insurance provides financing of up to 85 percent of the contract value and covers 100 percent of the principal and interest on the Ex-Im Bank-financed portion.

Improvements made in FY 1998 have upgraded and simplified the small business policy by enhancing the assignment agreement that protects lenders with appropriate documentation against exporter performance risks. To help small business policyholders obtain financing, an assignee referral list of financial institutions currently offering financing to small business policyholders through the assignment of policy proceeds is available through brokers, government agencies, and on Ex-Im Bank's Web site, www.exim.gov. Ex-Im Bank has streamlined the renewal process for the exporter multibuyer policy and eliminated the \$500 minimum annual premium for exporters.

Working Capital Guarantees

Working capital guarantees help small and medium-sized U.S. companies obtain pre-export financing from private sector lenders by covering 90 percent of the principal and interest on working capital loans.

Exporters can use an Ex-Im Bank working capital-guaranteed loan:

- to purchase raw materials and finished products for export;
- to pay for materials, labor, and overhead to produce goods or provide services for export;

New in Export Credit Insurance in 1998:

- Medium-Term Credit Standards — Standardized Credit Criteria, 20-Day Turnaround from Completed Application to Approval
- Simplified Small Business Policy — Enhanced Assignment Agreement
- Assignee Referral List of Financial Institutions for Small Business Policyholders
- Streamlined Renewal Process for Exporter Multibuyer Policy

- to cover standby letters of credit serving as bid bonds, performance bonds, or advance payment guarantees.

Ex-Im Bank has 36 City/State partners (state and local trade organizations with staff trained in Ex-Im Bank's programs) that are locally available for U.S. exporters. These export experts can help arrange working capital guarantees and other financing.

Ex-Im Bank is also teamed with 74 qualified lenders nationwide through its Delegated Authority Lender Program. This private-public sector partnership allows local lenders to make guaranteed working capital loans without prior approval from Ex-Im Bank — giving exporters the benefit of faster turnaround, a streamlined credit review process, and a local lending decision.

In FY 1998, Ex-Im Bank reached out to qualified asset-based lenders through a new "super" level of delegated authority to provide Ex-Im Bank guarantees on working capital loans up to \$10 million per borrower and up to an aggregate of \$150 million per lender. In addition, Ex-Im Bank is now offering expanded access to working capital by permitting exporters, on a case-by-case basis, to allow a portion of the initial disbursement under a new Ex-Im Bank-guaranteed working capital loan to repay a portion of an exporter's non-Ex-Im Bank-related debt.

Other changes include reduced working capital guarantee fees for borrowers and transactions meeting established criteria; a new two-tiered fee structure to reduce the cost to small business exporters on lower risk transactions; revolving loans on terms up to 36 months (the previous limit was 12 months) if the lender offers and commits to that term; more flexible borrowing base requirements; and limited coverage for warranties and retainages.

Ex-Im Bank is also implementing a pilot program with the Private Export Funding Corporation (PEFCO) to expand outreach to small businesses in targeted markets: minority-and women-owned businesses, companies in economically depressed

urban and rural areas, and businesses that produce environmentally beneficial goods and services.

Buyer Financing:

Guarantees

Medium- and long-term guarantees help U.S. exporters of capital goods and services to obtain buyer financing from private sector lenders by covering up to 85 percent of the U.S. contract value on loans to foreign buyers. Ex-Im Bank will guarantee medium-term loans of up to \$10 million on repayment terms of two to five years (exceptionally up to seven-and-a-half years), and long-term loans in excess of \$10 million on repayment terms typically from seven to 12 years. Ex-Im Bank's guarantee protects lenders against both political and commercial risks of nonpayment and covers up to 100 percent of principal and interest on the Ex-Im Bank-financed portion of the contract.

Direct Loans

Medium- and long-term direct loans enable U.S. exporters to provide foreign buyers with competitive, fixed-rate financing for the purchase of U.S. capital goods and services. Medium-term loans are under \$10 million on repayment terms of two to five years (exceptionally up to seven-and-a-half years). Long-term loans are usually for \$10 million or more on repayment terms typically from seven to 12 years. All direct loans have a fixed interest rate that is based on U.S. Treasury securities under international agreement.

Specialized Financing:

Project Financing

Project finance is available to U.S. exporters or project sponsors that need financing for exports to large foreign infrastructure, oil and gas, and mining projects. "Limited-recourse" project financing relies upon the project's future cash flows for repayment (as defined by contractual relationships within each project), rather than on guarantees from a foreign government, a financial institution, or an established corporation.

New in Working Capital Guarantees in 1998:

- "Super" Level of Delegated Authority — Up to \$10 Million per Borrower
- Reduced Fees for Borrowers/Transactions Meeting Criteria
- Two-tiered Fee Structure To Reduce Costs for Small Business Exporters
- Terms Up to 36 Months on Revolving Loans from Lenders Offering Those Terms
- More Flexible Borrowing Base Requirements
- Some Coverage for Warranties and Retainages
- Joint Pilot Project with PEFCO To Expand Outreach to Small Businesses

New in Buyer Financing in 1998:

- Medium-Term Credit Standards — Standardized Credit Criteria, 20-Day Turnaround from Completed Application to Approval

New in Project Finance in 1998:

- Pre-completion Comprehensive Financing for Construction Loans
- Small Transaction Project Financing — Streamlined Process for Transactions under \$30 Million
- Competitive Letter of Interest
- OECD Project Finance Understanding, Trial Period — for Greater Flexibility on Project Financing



Ex-Im Bank offers any combination of direct loans, comprehensive guarantees, or political-risk-only guarantees on projects — for both pre-completion construction loans and post-completion financing.

Ex-Im Bank also offers the maximum repayment term allowed under international guidelines, as well as local cost support and interest during construction.

Ex-Im Bank responded to exporter requests and enhanced the Project Finance Program in FY 1998 in several important ways, including offering comprehensive coverage during the construction period and introducing a competitive letter of interest (LI) that contains more specific information than the standard LI. In appropriate bidding situations, the new product should strengthen the position of U.S. companies competing for international contracts.

The Bank introduced small transaction project financing to hold down costs on smaller transactions and now will consider project finance cases under \$30 million through in-house analysis.

Ex-Im Bank is also implementing the new trial period Understanding for Project Finance of the Organization for Economic Cooperation and Development (OECD), which allows greater flexibility with respect to total repayment terms, first repayment dates, and amortization profiles on project loans.

Commercial Aircraft Financing

Aircraft financing assists U.S. manufacturers or exporters in the export of new or used U.S. manufactured commercial aircraft (including helicopters) through Ex-Im Bank's loan, guarantee, and export credit insurance programs. Ex-Im Bank's aircraft financing offers the longest repayment terms permitted by international guidelines. New, large aircraft (generally over 70 passenger seats) typically qualify for repayment terms of 10 to 12 years. Ex-Im Bank's support for large aircraft transactions requires a security interest in the aircraft (i.e., asset-based financing) and/or a guarantee from a sovereign government.

Environmental Exports Financing

With Ex-Im Bank's environmental export financing, U.S. exporters of environmentally beneficial technology, equipment, and services, as well as exporters participating in environmentally beneficial projects, can offer financing to their foreign customers through export credit insurance, loan guarantees, direct loans, and working capital loan guarantees.

Ex-Im Bank's small business environmental insurance policy features enhancements such as 95 percent coverage against commercial losses, no deductible, and enhanced assignment of insured receivables for banks. Enhancements under the medium-term guarantee include financing of capitalized interest during construction and local cost support of up to 15 percent of the U.S. contract value.

ACCESS TO MARKETS

Preserving Trade Flows Through Critical Export Financing

Worldwide, Ex-Im Bank authorized \$10.5 billion in financing to support nearly \$13 billion in U.S. exports in FY 1998. Even more significant than how much Ex-Im Bank supported is how the Bank managed to continue supporting U.S. exports under difficult and changing market conditions. When sources of capital literally left countries such as Korea, Indonesia, and Thailand, Ex-Im Bank's response was to work individually and with the export credit agencies of the Group of Seven (G-7) industrialized countries and other nations to remain open in Asia and find ways to provide critical short- and medium-term financing.

Asia

The total authorizations of Ex-Im Bank financing in the Far East only tell part of the story of a tumultuous year in Asia, the Bank's second largest regional market in the world, with \$2.1 billion authorized to support U.S. exports in FY 1998.

Within weeks of the beginning of the fiscal year, the Asian currency crisis worsened and trade flows slowed significantly in some markets. Formerly robust economies such as Korea (where U.S. exports totaled \$35 billion the previous year) came to a standstill. Banks would not write letters of credit, and new medium-term financing ceased to be available. In Indonesia, market panic stopped trade.

Stepping Up in Asia

Virtually every month in 1998, Ex-Im Bank's board of directors took action to assist U.S. exporters in challenging Asian markets. Chairman Harmon met with government and business leaders in the Republic of Korea, Indonesia, the Philippines, China, Japan, and Thailand to promote U.S. export financing and negotiate crucial short-term export credit agreements. In FY 1998, Ex-Im Bank made available up to \$3 billion in short- and medium-term export credit for sales to Korea, and negotiated \$1 billion short-term programs for both Indonesia and Thailand.



As demand for Ex-Im Bank financing soared, Ex-Im Bank explored and developed creative ways to finance the sales of U.S. goods and services and keep trade flows open in all markets directly and indirectly affected by the Asian economic crisis. Ex-Im Bank financed U.S. exports to emerging markets of the New Independent States, Russia, Central Europe, Africa, and Latin America (Ex-Im Bank's most active region).

Ex-Im Bank demonstrated leadership, commitment, and 65 years of export credit expertise in managing the political and commercial risks of a volatile international marketplace. In almost every challenging export market, Ex-Im Bank was able to provide a solution that preserved trade flows for the benefit of U.S. companies and their workers.

Exports, including basic raw materials, were needed to help these economies begin to recover. Ex-Im Bank, under the leadership of Chairman James A. Harmon and with the unanimous support of the board of directors, helped to organize a meeting of its G-7 counterparts in London and obtained a commitment from all G-7 export credit agencies, plus 11 others, to remain open for business in the Asian markets.

Ex-Im Bank took decisive actions on its own on behalf of U.S. exporters and provided short-term support to Korea that literally turned on the trade flows again. Similar programs were developed for Indonesia and Thailand. Ex-Im Bank financing quickly expanded as Asian governments took important steps to improve their



Chairman Harmon and Mexican President Ernesto Zedillo

Latin America

Latin America is Ex-Im Bank's biggest regional trading partner, receiving \$2.6 billion in Ex-Im Bank financing in FY 1998 for the purchase of U.S. goods and services. Chairman Harmon met with government and business leaders in Brazil and Mexico to encourage expanded use of Ex-Im Bank programs, especially by small and medium-sized companies.

economies. By the end of FY 1998, Ex-Im Bank had made available up to \$5 billion in short- and medium-term financing to support U.S. exports to Korea, Indonesia, and Thailand through the year 2000.

For the Republic of Korea, Ex-Im Bank implemented a short-term trade financing program to support letters of credit

to U.S. banks on behalf of Korean buyers, authorizing up to \$750 million in January 1998 and another \$250 million in July. Ex-Im Bank also made available in July up to \$2 billion for medium-term financing, supported by a sovereign guarantee from the Korean government, for sales of U.S. capital goods and services. When the fiscal year ended, Ex-Im Bank's short-term Korean program had supported nearly \$1 billion in U.S. exports that would not have been sold otherwise.

For U.S. exports sold to Indonesia and Thailand in FY 1998, Ex-Im Bank successfully negotiated \$1 billion short-term trade financing programs with each country to support letters of credit, supported by sovereign guarantees from their respective governments.

More than half of Ex-Im Bank's financing in Asia, \$1.3 billion, supported exports to China, Ex-Im Bank's largest market in Asia and second largest country market worldwide. The majority of this financing supported sales of new, large commercial aircraft to 11 separate airlines.

In the Philippines, Ex-Im Bank authorized \$7.3 million in medium-term guarantees supporting U.S. exports of radio and television communications equipment and services for expansion of a cable network and development of Internet services.

Ex-Im Bank also reopened in Vietnam to consider financing for short- and medium-term support for U.S. exports sold to the public sector, with Ex-Im Bank financing to be supported by a sovereign guarantee from the Vietnamese government.

Latin America

Latin America was Ex-Im Bank's largest regional trading partner in FY 1998: Ex-Im

Bank authorized \$2.6 billion in financing to support U.S. exports to the region. Yet Latin America was not immune to the downturn of global markets. Toward the end of FY 1998, both the Administration and Congress expressed concerns that economic problems could adversely affect U.S. trade with this important region.

Building upon historic successes and relationships dating back to the origin of the agency, Chairman Harmon and Ex-Im Bank staff made timely trips to Brazil and Mexico in late 1998, reaffirming Ex-Im Bank's strong presence and trade partnerships in these countries.


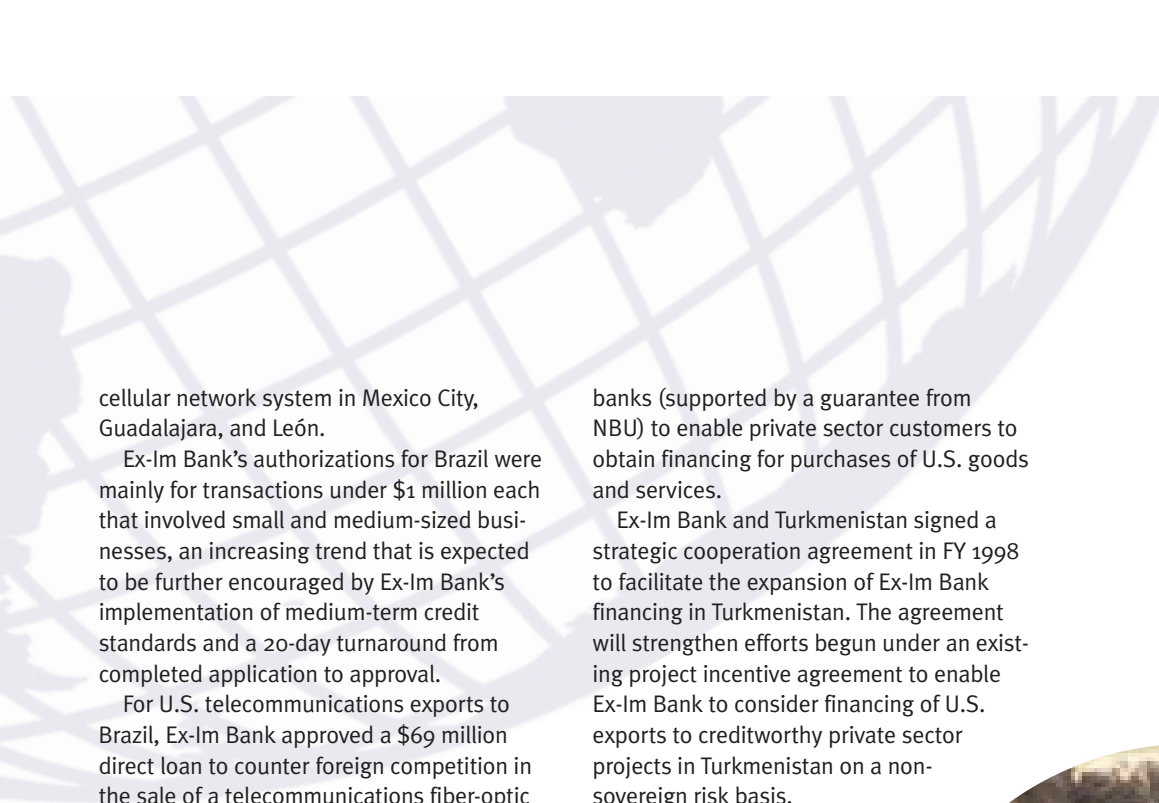
Overall, Latin America was a successful market for U.S. exporters in FY 1998, with exports from principal U.S. industries such as oil and gas, power, and telecommunications companies utilizing 80 percent of Ex-Im Bank's medium- and long-term financing for the region.

The four largest markets in Latin America for Ex-Im Bank financing continued to be Mexico, Brazil, Venezuela, and Argentina. Mexico was Ex-Im Bank's largest country market in the world, with medium- and long-term authorizations totaling \$1.6 billion.

For the Cantarell Oil Field and Burgos Basin projects in Mexico, Ex-Im Bank authorized two guarantees totaling \$536 million to finance U.S. exports of oil and gas equipment and services from companies in Texas, Louisiana, Florida, North Carolina, Pennsylvania, and California. Almost \$14 million of the financing helped six small businesses to export to these projects.

Supporting U.S. power industry exports to Mexico, Ex-Im Bank approved a \$227 million guarantee for the export of turbine generators from Westinghouse Electric Company and General Electric Corporation to the Comision Federal de Electricidad (CFE) for the upgrade of five power plants across the country.

Ex-Im Bank's largest telecommunications transaction was also in Mexico: A \$72.4 million guarantee was approved to help Lucent Technologies Inc. sell nearly \$80 million of cellular communications equipment and services to Grupo Iusacell S.A. de C.V. for a



cellular network system in Mexico City, Guadalajara, and León.

Ex-Im Bank's authorizations for Brazil were mainly for transactions under \$1 million each that involved small and medium-sized businesses, an increasing trend that is expected to be further encouraged by Ex-Im Bank's implementation of medium-term credit standards and a 20-day turnaround from completed application to approval.

For U.S. telecommunications exports to Brazil, Ex-Im Bank approved a \$69 million direct loan to counter foreign competition in the sale of a telecommunications fiber-optic cable system by Tyco Submarine Systems Ltd. of Morristown, N.J., to the Americas II undersea cable project.

In FY 1998, Ex-Im Bank reopened in Colombia in all programs in both the public and the private sectors, and authorized an \$8.4 million guarantee to support the sale of U.S. gas turbine compressor equipment for a gas pipeline project.

New Independent States, Russia, and Central Europe

In FY 1998, Ex-Im Bank authorized \$1.2 billion in financing to support U.S. exports to the New Independent States, Russia, and Central Europe, including \$301.6 million to support U.S. commercial aircraft sales to Russia's flag carrier, Aeroflot Russian International Airlines.

Uzbekistan is Ex-Im Bank's largest customer to date in Central Asia, with FY 1998 authorizations of \$379 million. In April, Ex-Im Bank approved \$214.6 million to support U.S. exports to Uzbekneftegas, Uzbekistan's national gas company, for a polyethylene plant. Ex-Im Bank also authorized several smaller guarantees to finance sales to Uzbekistan of U.S. agricultural goods and services.

In FY 1998, Ex-Im Bank signed a cooperation agreement with the National Bank of Uzbekistan (NBU) to promote financing of U.S. exports on a non-sovereign risk basis to the private sector. Under the agreement, Ex-Im Bank financing will be made available directly to NBU or through Uzbek commercial

banks (supported by a guarantee from NBU) to enable private sector customers to obtain financing for purchases of U.S. goods and services.

Ex-Im Bank and Turkmenistan signed a strategic cooperation agreement in FY 1998 to facilitate the expansion of Ex-Im Bank financing in Turkmenistan. The agreement will strengthen efforts begun under an existing project incentive agreement to enable Ex-Im Bank to consider financing of U.S. exports to creditworthy private sector projects in Turkmenistan on a non-sovereign risk basis.

All of Ex-Im Bank's authorizations for Turkmenistan in FY 1998 (\$103 million) were in the public sector, including a \$96.4 million guarantee to help finance U.S. equipment and services for the upgrade of a natural gas pipeline.

In FY 1998, Ex-Im Bank authorized \$668.6 million to support exports to Russia, including a \$64.6 million loan guarantee to finance the sale of diagnostic imaging equipment to a medical academy in Moscow for General Electric Medical Systems of New Berlin, Wis.

Ex-Im Bank also approved a \$122.8 million guarantee to support the export to Russia of a "Direct to Home" satellite communications system by Hughes Space and Communications Inc. of El Segundo, Calif. Ex-Im Bank's financing made the critical difference in the sale for Hughes, enabling the company to win the contract over foreign competitors backed by their governments' export credit agencies. The new communications system will enable direct video transmission to home subscribers throughout most of Russia, as well as in Belarus and the Ukraine.

Supporting U.S. power industry exports to Croatia, Ex-Im Bank approved a \$69 million long-term guarantee to finance engineering services by Parsons Power Group Inc. of



Reading, Pa., for the Te-To-Zagreb Power Project. In addition, three U.S. suppliers from New York, Pennsylvania, and South Carolina will export equipment to the project.



Africa

Ex-Im Bank has targeted the African market to increase U.S. exports to this emerging region, which received \$49 million in Ex-Im Bank financing in FY 1998. Ex-Im Bank's largest market in Africa was Kenya: Ex-Im Bank authorized \$26 million to support the export of a Boeing 737-300 aircraft to Kenya Airways Ltd.

Ex-Im Bank expanded its cover policy in five West African countries — Cameroon, Cape Verde Islands, Gabon, The Gambia, and Senegal. Ex-Im Bank is now open to consider project finance business in 45 sub-Saharan African countries and is open for traditional export financing in 21 sub-Saharan African countries.

Innovative project financing is under way in Africa. Ex-Im Bank signed a loan guarantee (authorized in FY 1997) to help support more than \$200 million in exports of U.S. oil well services to an offshore oil field project in

Angola. Instead of a sovereign guarantee, Ex-Im Bank will use a secured escrow account funded by the proceeds from the oil sales to assure repayment.

The sub-Saharan Africa Advisory Committee, chaired by former U.S. Representative Floyd Flake, is helping Ex-Im Bank to develop policies to strengthen support for U.S. exports to Africa. Ex-Im Bank also appointed a counselor-coordinator for Africa to direct marketing of programs in the region and lead a task force to design and implement proactive measures to increase export financing to Africa.

In the last three years, all five Ex-Im Bank directors made business trips to Africa, including the historic first-time visit of an Ex-Im Bank chairman to southern Africa.

“Small businesses employ over half of the U.S. private sector workforce, generate more than half of our gross domestic product, and create most of the new jobs in our economy. Every small business export sale that Ex-Im Bank finances supports U.S. jobs and serves local communities. We are committed to helping small businesses access promising but challenging markets such as sub-Saharan Africa, where the potential demand for U.S. products and services is enormous.”

Maria Luisa Haley
Ex-Im Bank Board
Member

ACCESS TO EXPERTISE

In its 65 years as the official export credit agency of the United States, Ex-Im Bank has developed a unique expertise in the world of export financing that adds value for American taxpayers in many ways — and the benefits are not limited to the U.S. companies winning the export contracts. In fulfilling its mission to help U.S. exporters, Ex-Im Bank also serves the U.S. government with technical and policy expertise that assists in the development of emerging markets and the promotion of world trade.

Ex-Im Bank has pioneered in several areas of export financing, such as project finance, and its very presence has enabled many markets to continue to have access to external export financing and develop. Ex-Im Bank's staff offers highly specialized trade finance expertise in markets where financing would not be available otherwise or where international competition is particularly strong: commercial aircraft, project finance, and environmental exports.

Commercial Aircraft Financing

Ex-Im Bank helped U.S. commercial aircraft manufacturers win a number of important sales in FY 1998. Ex-Im Bank authorized more than \$2.6 billion in financing to support U.S. commercial aircraft in FY 1998 (up from \$2.2 billion the previous fiscal year) in the competitive markets in Africa, Latin America, Russia, Central Europe, Asia, and Australia. By meeting the cyclical growth in demand for financing of U.S. aircraft exports, Ex-Im Bank helped sustain and create thousands of jobs for U.S. workers throughout the country in aircraft manufacturing and related industries.

Of the total amount of aircraft financing, Ex-Im Bank authorized \$1.2 billion in asset-based financings, and nearly \$1.4 billion in financings backed by sovereign guarantees from foreign buyers' governments, to support the export of aircraft and helicopters manufactured by Boeing, McDonnell

Douglas (now owned by Boeing), Cessna, Bell, and other U.S. manufacturers.

More than half of Ex-Im Bank's FY 1998 aircraft financings supported the export of 32 large commercial aircraft to 11 airlines in China. Ex-Im Bank also approved \$301.6 million to support the sale of 10 Boeing 737-400 aircraft to Aeroflot Russian International Airlines in Russia, the first financing of commercial aircraft to Russia by an export credit agency.

Ex-Im Bank also supported U.S. aircraft exports to Argentina, Australia, Brazil, Chile, the Czech Republic, El Salvador, the Fiji Islands, India, Indonesia, Kenya, Mexico, Morocco, and Turkey. Ex-Im Bank's aircraft support was not limited to large aircraft but included support for helicopters and smaller aircraft, such as the export of eight Caravan utility aircraft built by Cessna Aircraft Company of Wichita, Kan., to TACA, the national flag carrier of El Salvador.

Ex-Im Bank's export credit insurance — a new growth area in aircraft support — supported the export of new and used U.S. aircraft to countries such as Brazil and Mexico.

Project Financing

In FY 1998, Ex-Im Bank updated its limited-recourse project finance program to meet the changing needs of U.S. exporters and concentrated on projects already under way in markets with economic problems such as Southeast Asia. In response to exporter requests, Ex-Im Bank expanded the availability of project financing to cover the construction phase of projects on a comprehensive basis, as well as the post-construction period.

Although no project finance transactions were approved in FY 1998, Ex-Im Bank's Project Finance Division developed and negotiated potential

“Ex-Im Bank's technical expertise and knowledge of the market for export credits play a vital role in the U.S. government's negotiations at the OECD to reduce subsidies and safeguard a competitive trade arena for U.S. exports.”

Rita Rodriguez
Ex-Im Bank Board
Member



“Ex-Im Bank’s financial support of environmentally beneficial exports opens new export sales opportunities for U.S. companies whose products and expertise provide critical assistance to foreign buyers facing serious environmental challenges in their home countries.”

Julie Belaga
Ex-Im Bank Board
Member and Chief
Operating Officer



financing for future exports and closed on several transactions that had been authorized the previous year. Several project finance transactions authorized during the previous fiscal year reached successful completion, and the financings were converted into long-term operational coverage.

Ex-Im Bank is implementing the new trial period OECD Understanding for Project Finance, which allows greater flexibility on total repayment terms, first repayment dates, and amortization profiles on project loans.

Ex-Im Bank introduced small transaction project financing, under which the Bank will consider project finance cases of under \$30 million through in-house analysis, which will hold costs down for smaller companies.

Also in response to customers’ needs, Ex-Im Bank introduced a competitive letter of interest (LI) that contains more specific information than the standard LI. In appropriate bidding situations, the new product should strengthen the position of U.S. companies competing for international contracts.

Environmental Exports Financing

In FY 1998, Ex-Im Bank authorized more than \$284 million in loans, guarantees, and export credit insurance to finance exports of environmentally beneficial U.S. goods, services, and technologies, assisting one of the most competitive American industries with the most attractive financing possible. Support included \$163 million in loans and guarantees and \$121 million in environmental export credit insurance. Exports supported included equipment and technology for power plant pollution abatement, water and sewage treatment, and waste incineration.

During the year, Ex-Im Bank embarked on a robust strategy to reach out to thousands of small business environmental exporters around the country. One such company, Environmental Dynamics Inc. of Columbia, Mo., used Ex-Im Bank’s small business environmental export credit insurance to offer competitive terms on sales of its waste water treatment equipment to customers in Latin America, Europe, and Asia.

Serving as a Financial Expert on Emerging Markets

During the past 65 years, Ex-Im Bank has established itself as a leading authority on developing world economies and a recognized source of financial expertise that is utilized by U.S. exporters, federal agencies, and financial institutions around the world. Ex-Im Bank’s unique technical, economic, environmental, country, and specialized knowledge provides critical information and analysis that is relied upon by public and private organizations throughout the world in assessing the risks of emerging markets and in formulating responses to issues related to these markets.

Ex-Im Bank’s economists are an example, providing the analytical core to an inter-agency country risk assessment and rating process. Their analyses and insights directly contribute to the development of uniform country risk ratings used in financing transactions by several federal agencies.

Ex-Im Bank’s board of directors and policy and planning staff are leaders in the international effort to reduce subsidies through their work within the Organization for Economic Cooperation and Development (OECD).

Ex-Im Bank’s engineers provide valuable engineering and environmental expertise to

domestic and international government agencies. The specialized knowledge base in Ex-Im Bank divisions, such as aircraft finance and project finance, is also an important source of information and analysis.

As the official export credit agency of the United States, Ex-Im Bank operates both as a financial institution and as a valuable resource that provides critical analytical support needed to support America’s efforts to level the playing field for U.S. exporters in emerging markets, to assist developing economies, and to sustain U.S. jobs through exports.

ACCESS TO TECHNOLOGY

Up-To-Date Information on Ex-Im Bank Programs on Award-Winning Internet Web Site: www.exim.gov

Ex-Im Bank has made access to a wealth of export finance knowledge only a few key-strokes away. The Bank's award-winning Internet Web site, www.exim.gov, gives customers — U.S. exporters, lenders, and purchasers of U.S. goods and services — the export financing information that they need, when they need it: 24 hours a day, seven days a week.

Through the Web site, Ex-Im Bank provides these important tools and information:

Exposure Fee Calculator: To Determine the Ex-Im Bank Exposure Fee on Medium- and Long-Term Transactions

Online Letter of Interest (LI): Electronic Application Form for Fastest Filing

Country Information: Ex-Im Bank Cover Policy for Every Country

Board of Directors Meetings Reports: Up-to-date Information on Recent Board Authorizations

Credit Committee Meetings Reports: Up-to-date Information on Credit Policies

News Releases: Latest News of Important Ex-Im Bank Transactions and Events

Annual Report: Complete Ex-Im Bank Financial Data of Most Recent Fiscal Year

Quarterly Newsletter: Practical Tips on Program Use, Upcoming Seminars, and Events

Ex-Im Bank's Web site also offers detailed information on every program, and quick reference to telephone numbers and addresses of Ex-Im Bank regional offices, City/State partners, and Delegated Authority lenders, and much more.



Through the Internet, Ex-Im Bank is reaching out around the clock to support U.S. companies with the best information available, while maximizing limited personnel resources. Nearly 600,000 Internet users worldwide visited www.exim.gov by the end of FY 1998.



KEY INDUSTRIES



Section 8(d)(1) of the Export-Import Bank Act of 1945, as amended, directs Ex-Im Bank to include in its annual report a detailed description of its actions:

- to maintain the competitive position of key linkage industries in the United States;
- to support industries that are engaged in the export of high value-added products;
- to support industries that are engaged in the development of new capital goods technology;
- to preserve and create highly skilled jobs in the U.S. economy; and
- to enhance the opportunity for growth and expansion of small businesses and entrepreneurial enterprises.

Ex-Im Bank's FY 1998 activity (financial support for shipment and disbursements) included support for approximately \$4.3 billion in exports from 34 industry groups that fall into the first four of these "key" industries. Although many products could fit into more than one category, products are only allocated to one category.

Key linkage industries are those industries critically linked to the cost competitiveness of many businesses and are often referred to as "forward linkage" industries. These industries produce inputs necessary for the production of durable goods. This category also includes certain industries that are key to national defense. In FY 1998 Ex-Im Bank assisted \$186.2 million in exports from four key linkage industries: mining, petroleum, steel products, and metal working equipment industries.

High-value added products are those industries in which the value of output generated per unit of resource input is above average. This number is derived by dividing the value added by an industry by the total value shipped by that industry. For this report, "high value-added" is defined as a value-added to value-shipped ratio greater than 50 percent. Ex-Im Bank activity assisted \$392.5 million in exports from nine industry groups that produce high value-added products. The *new capital goods* technology category consists of certain typically high technology export industries that produce innovative-type capital goods. These industries typically have research and development expenditures of 50 percent or higher than general industry standards. Industries meeting this description include computers and accessories, electronic equipment, specialized machinery, telecommunications equipment, aircraft and parts, and automotive equipment and parts. Ex-Im Bank activity assisted \$2.7 billion in exports from seven of these industries.

The *highly skilled jobs* category includes those industries that employ a high concentration of scientists, engineers and technicians. Such industries take advantage of the U.S. comparative advantage in relatively expensive skilled labor. Sectors that demonstrate a high concentration of skilled jobs but are not key linkage industries and do not produce new capital goods technology or high value-added exports include services, chemicals, construction, metal products, engines, and railways. Ex-Im Bank activity assisted \$1.1 billion in exports from 14 industries in the highly skilled jobs category.

Advisory Committee Statement for the 1998 Annual Report:

The 1998 Export-Import Bank Advisory Committee approves the Lundine Report of Key Industries without change.