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United States Government Accountability Office
Washington, DC 20548

September 30, 2008

Congressional Committees

Subject: *Export Promotion: The Export-Import Bank's Financing of Dual-Use Exports*

Since October 1994, the Export-Import Bank of the United States (Ex-Im) has had statutory authority¹ to provide loans, guarantees, and insurance to help finance U.S. exports of dual-use (military and civilian) defense articles and services, provided that it determines these items are nonlethal and meant primarily for civilian use.² These dual-use exports include such items as vehicles that are primarily used by the military for civilian or humanitarian purposes. Legislation providing this authority also requires us to report annually on the end uses of the dual-use exports financed by Ex-Im during the second preceding fiscal year—which, for the purposes of this letter, corresponds to 2006.

Ex-Im Did Not Finance Dual-Use Exports in 2006

Ex-Im did not finance any dual-use export projects in fiscal year 2006. According to an Ex-Im official, the Vice President of the Engineering and Environment Division, and our review of relevant data on Ex-Im authorizations, Ex-Im last financed dual-use items in fiscal year 2002.

Agency Comments

We provided a copy of the draft version of this correspondence to Ex-Im. The agency provided technical comments, which we incorporated.

¹The Export-Import Bank Reauthorization Act of 2006 (P.L. 109-438, Dec. 20, 2006) extended through September 30, 2011 provisions in 1994 legislation (P.L. 103-428, Oct. 31, 1994) authorizing Ex-Im to finance certain dual-use exports. Under this legislation, Ex-Im can use up to 10 percent of its total annual loan, guarantee, and insurance authority to support the sale of these dual-use exports.

²According to Ex-Im, a dual-use export is eligible for financing if convincing evidence exists that the export is nonlethal in nature, the export will be used mainly for civilian activities, and the buyer or end-user provides certification to that effect.

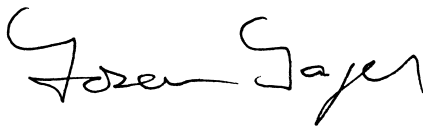
Scope and Methodology

To determine the extent of financing and end uses of the dual-use exports financed in 2006, we reviewed Ex-Im data on dual use determinations and an Ex-Im report on the current status of dual use cases approved in prior years. In addition, we interviewed an Ex-Im official who monitors end user compliance with dual-use requirements, the Vice President of the Engineering and Environment Division. We determined that Ex-Im data on dual use financing are sufficiently reliable for this review.

We conducted this performance audit from August 2008 to September 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We are sending copies of this report to interested congressional committees. We will also send copies to the President and Chairman of Ex-Im, the Secretary of Defense, and the Secretary of State. We will also make copies available to others upon request. In addition, this report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at (202) 512-4347 or yagerl@gao.gov. Key contributors to this report were Celia Thomas, Assistant Director; Leah DeWolf; Martin DeAlteriis; and Ernie Jackson.



Loren Yager
Director, International Affairs and Trade

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