



Highlights of [GAO-07-1071](#), a report to congressional requesters

## Why GAO Did This Study

Congress established the Export-Import Bank of the United States (Ex-Im) to encourage U.S. exports. Congress has directed Ex-Im to consider the economic impact of its work and not to fund activities that will adversely affect U.S. industry. In this context, GAO reviewed (1) Ex-Im's policies and procedures for determining economic impact, (2) the extent to which Ex-Im appropriately identifies and analyzes projects that could cause adverse economic impact, and (3) the extent to which Ex-Im's process is transparent. To conduct this work, GAO reviewed Ex-Im's procedures, data on projects applicable for the economic impact process, and detailed economic impact analyses. GAO also interviewed Ex-Im and reviewing agency officials and industry representatives.

## What GAO Recommends

To improve the identification and analysis of applications for economic impact, GAO recommends that Ex-Im review the \$10 million threshold, create better methodological guidelines, and strengthen its internal controls. To improve transparency, GAO recommends that Ex-Im clarify its procedures for conducting economic impact analyses. Ex-Im generally concurred with GAO's recommendations and stated that it will explore feasible ways to improve the economic impact process and make it more consistent and user-friendly.

[www.gao.gov/cgi-bin/getrpt?GAO-07-1071](http://www.gao.gov/cgi-bin/getrpt?GAO-07-1071).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Loren Yager, 202-512-4347, [YagerL@gao.gov](mailto:YagerL@gao.gov).

# EXPORT-IMPORT BANK Improvements Needed in Assessment of Economic Impact

## What GAO Found

Congress requires Ex-Im to assess whether a project requesting its financial support will negatively impact U.S. industry. Ex-Im uses a screening process to identify projects with the most potential to have an adverse economic impact, and then subjects the identified projects to detailed analysis. A negative finding could result in a denial of Ex-Im support. The screens—either explicitly required by Ex-Im's charter or introduced under the bank's statutory authority—include whether (1) the financed project will increase foreign production, (2) there are trade measures against the resulting product, (3) the resulting product is “undersupplied,” (4) the requested financing is over \$10 million, and (5) the financed project will increase foreign production by 1 percent or more of U.S. production. Between fiscal years 2003 and 2005, this screening process identified 20 projects (out of 771 applicable) that required a detailed economic impact analysis. In the detailed analysis, Ex-Im assesses whether the resulting product would be in surplus on world markets or in competition with U.S. production. Between fiscal years 2003 and 2005, Ex-Im approved most projects applicable for economic impact analysis, totaling approximately \$6.1 billion in approved financing.

GAO found challenges and areas for improvement in the screening and detailed analysis of projects for economic impact. The effectiveness of the \$10 million screen, introduced under Ex-Im's statutory authority, is uncertain. 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 to produce an estimated 3.5 percent of U.S. production was screened out of the analysis. GAO also found that Ex-Im could improve some methods it uses in its detailed analyses, such as how it estimates displaced production. In addition, GAO found that Ex-Im could clarify how it characterizes the effect of its financing on the U.S. trade balance. Finally, GAO found that Ex-Im could strengthen the internal controls it uses to ensure that the screening process and detailed analysis are conducted consistently and accurately.

GAO also found limitations in the transparency of Ex-Im's economic impact process. While Ex-Im publicly posts its procedures, they contain areas of ambiguity. For example, the procedures do not define the term “oversupply.” Also, Ex-Im has not provided all public comments to the board of directors. GAO identified two practices—referencing in the procedures the list of sectors likely to require extra scrutiny and publicizing final economic impact conclusions—that would increase the predictability of the process.