1. NAC Review of Export Import Bank Loan Proposals
   a. Air France + Air Canada
   b. Relationship between policy questions + operation

II Review of EX-IM Preliminary Commitment Procedures.

III Policy Questions of Long-Term Finances of EX-IM Bank Operations.

IV EX-IM Bank Coeportions with International Lending Agencies.

MEMORANDUM OF CALL

TO:

☐ YOU WERE CALLED BY— ☐ YOU WERE VISITED BY—

OF (Organization)

☐ PLEASE CALL → PHONE NO. CODE/EXT.

☐ WILL CALL AGAIN ☐ IS WAITING TO SEE YOU

☐ RETURNED YOUR CALL ☐ WISHES AN APPOINTMENT

MESSAGE

NAC Mtg. Friday, March 27, 3:30 p.m., Rm. 4426, Treasury Bldg.
Sec'y Stans
Burns - Fed
President - Ex-Im Bank

RECEIVED BY | DATE | TIME

STANDARD FORM 63
REVISED AUGUST 1967
GSA FPMR (41 CFR) 101-11.6
GPO: 1968 O—318-527
63-108

FOR NATIONAL ADVISORY COUNCIL
USE ONLY

National Advisory Council
Document 70-42
February 13, 1970
(Action Sheet)

Subject: Export-Import Bank Advance Assurance of Financial Assistance

Draft Action:

The National Advisory Council, having taken favorable note of the memorandum (and related documents) of February 10, 1970, from the President of the Export-Import Bank to National Advisory Council Principals, advises the Export-Import Bank that it has no objection to the proposal to use the preliminary commitment technique more widely, subject to the following understandings:

1. That a preliminary commitment in which the Eximbank potential liability (direct loan plus guarantee) amounts to [$12] million or more will be submitted for prior NAC review under regular procedures.

2. That preliminary commitments in which the Eximbank potential liability amounts to [$3] million or more but less than [$12] million shall be notified in writing to NAC agencies on the basis that if no agency asks for more formal consideration within [one] [two] working days, the Eximbank may assume that there is no objection on the part of the NAC.

3. That a letter of commitment in which the Eximbank potential liability amounts to less than [$3] million may be made without interagency concurrence and the agencies will accept their notification thereof in the normal Eximbank minutes.

4. That without respect to monetary limits included in 1, 2, and 3 above, Eximbank will submit for normal NAC consideration any advance commitment which, in the judgement of Eximbank, includes terms which differ from Eximbank's standard terms.

FOR NATIONAL ADVISORY COUNCIL
USE ONLY

NATIONAL ADVISORY COUNCIL

ON

INTERNATIONAL MONETARY AND FINANCIAL POLICIES

Meeting 70-1 (Revised)

Friday, March 27, 1970
3:30 p.m., Room 4426, Main Treasury

Agenda

1. NAC review of Export-Import Bank loan proposals

   (a) Examples: Air France and Canadian Pacific

   (b) Relationship between policy questions and operations

2. Review of Eximbank preliminary commitments procedure

   (NAC Documents 70-42 and 70-62)

3. Policy questions on long-term financing of Eximbank operations

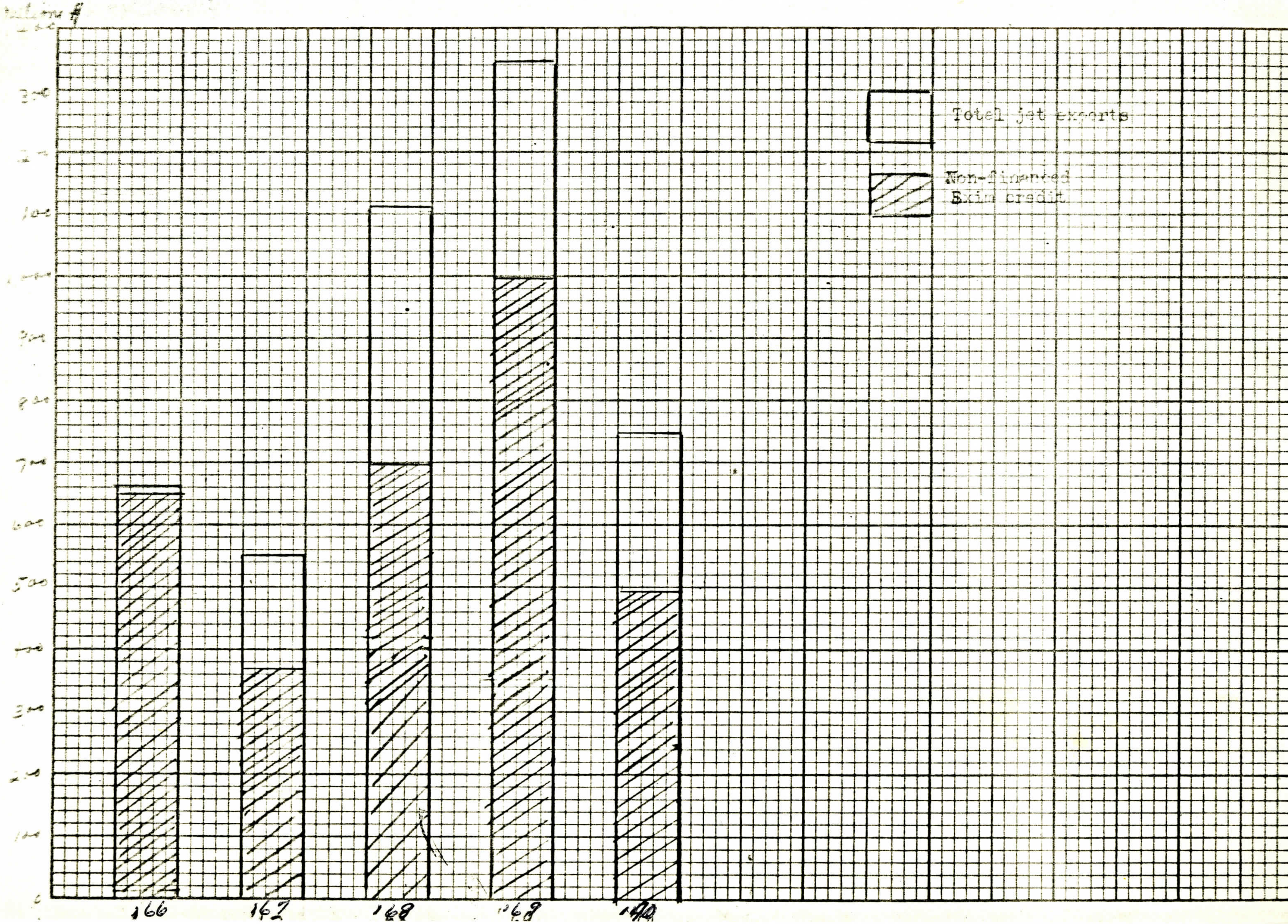
   (NAC Document 70-115)

4. Eximbank cooperation with international lending agencies

   (NAC Document 70-117)

C. R. Harley
Secretary

Jet Exports and Sales Not Financed by Exim



The "first straw" problem.

- either it doesn't matter
(i.e. Europeans don't produce)

or matters tremendously
(if do produce)

~~What difference does "it will take~~

~~What signific~~

What is significance of argument
"it will take several years"?

The Council

PW

Subject: Today's meeting of the National Advisory Council on

Monetary and Financial Policies

The ~~Nx~~ NAC ~~xxxxxdxxxxxxxx~~ meeting will consider Ex-Im Bank lending procedures, including the following questions:

1) Proposals for financing of Air France and Canadian Pacific aircraft. Of relevance here ~~ix~~ are the guidelines ~~xxxx xxxd~~ in NAC document 67-311 of November, 1967 (attached).

2) The Procedure for preliminary commitments.

   It is recommended that the Ex-Im Bank be permitted to use the preliminary commitment technique more widely, subject to a number of ~~qualifixxxxx~~ qualifications (Doc. #70-42, attached).

3) Policy Questions on Long-Term financing of Ex-Im Operations

   There is at present insufficient authority to permit the Bank to participate in a full program in FY 1972 (Doc. 70-115)

4) Ex-Im cooperation with international lending ~~Agxxgxxxxxxx~~ agencies (Doc. ~~&~~ 70-117).

   While closer cooperation is desirable, it seems to me that there is a fundamental underling tension between the objectives of an international organization (which should aim at multilateralism) and the ~~EX~~ Ex-Im Bank, which aims at stimulating U.S. exports.

FOR NATIONAL ADVISORY COUNCIL
USE ONLY

NATIONAL ADVISORY COUNCIL

ON

INTERNATIONAL MONETARY AND FINANCIAL POLICIES

Meeting 70-1 (Revised)

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   (NAC Documents 70-42 and 70-62)

3. Policy questions on long-term financing of Eximbank operations

   (Eximbank discussion paper to be distributed)

4. Eximbank cooperation with international lending agencies

   (Eximbank discussion paper to be distributed)

C. R. Harley
Secretary

Air France (2 loans)

4 Boeing 727's (7 year term)

Down Payment	$6,376,000	(20%)
"Other Sources"	12,752,000	(40%)*
Suppliers	1,275,200	(4%)
ExIm	11,476,800	(36%)
Total	$31,880,000	(100%)

4 Boeing 747's (10 year term)

Down Payment	$20,607,000	(18.3%)
"Other Sources"	58,543,000	(51.8%)*
Suppliers	3,368,000	(3%)
ExIm	30,312,000	(26.9%)
Total	$112,830,000	(100%)

Canadian Pacific Airlines

2 Boeing 727's (7 years)

Down Payment	$2,625,000	(20%)
"Other Sources"	5,250,000	(40%)**
Suppliers	525,000	(4%)
ExIm	4,725,000	(36%)
Total	$13,125,000	(100%)

* No information re source

** Canadian source loan

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National Advisory Council
Document 70-117
March 26, 1970

To : National Advisory Council

From : Secretary of the Council

Subject: Discussion Paper Re: Export-Import Bank Relations with the International Lending Institutions

Attached for information is Eximbank discussion paper on Relations with the International Lending Institutions, Item 4 of the Council Meeting Agenda, March 27, 1970.

Attachment

National Advisory Council
Document 70-117
March 26, 1970

LIMITED OFFICIAL USE

March 26, 1970

MEMORANDUM

To: National Advisory Council on International Monetary and Financial Policies

From: Export-Import Bank of the United States

Subject: Discussion Paper Re: Export-Import Bank Relations with the International Lending Institutions

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During the past year the Bank has become increasingly aware of the need for greater cooperation with the various international lending and financial institutions, particularly the IBRD, but also the IMF, IDB, ADB, etc. The greatly expanded activities of these agencies and the prospect of greater channeling of U. S. AID funds through the multilateral channels make more urgent the development of closer coordination among the various institutions to insure as great a degree of consistency of effort as possible, and the avoidance of overlapping and conflicting activities and policies.

The Bank has set up arrangements with several of these institutions providing for direct exchange of information on current operations so that the respective staffs may be better informed of each other's activities in common areas of responsibility. Opening up avenues of interchange can be useful in providing better information to all concerned regarding the creditworthiness of both private and public debtors, and the economic and financial position and prospects of the borrowing countries.

Eximbank has for some time thought that closer relations with the international institutions might provide opportunities for cooperative arrangements in which local currency loans by these institutions would be combined with Eximbank funds to develop financing packages to assist projects of mutual interest. Thus far not much progress has been achieved in this regard, but the Bank is still

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hopeful that something useful can be accomplished in conjunction with the Inter-American Bank and the Asian Development Bank as well as the IBRD.

Perhaps another promising area for fruitful cooperation with the international lending agencies involves Eximbank's recently adopted program of financing feasibility and engineering studies. Recognizing the importance of such studies in the possible shaping of projects and their orientation as regards subsequent procurement of the goods and services, Eximbank believes that it can benefit U. S. exports by involving itself in cooperative financing of such studies and project planning activities. The Bank will welcome the assistance of the U. S. Executive Directors in each of these institutions in bringing to its attention appropriate situations in which this type of approach may be useful.

In accordance with the action taken by the Council (Action 70-4 of 1/12/70), Eximbank is participating in several "joint financing" proposals developed by the IBRD in Latin America. As the Council is aware, Eximbank's participation in the financing of a project on a joint basis has been conditional on reserving its freedom to assist U. S. exporters on a bilateral basis if requested to do so. There is some danger that our objectives in this regard may be thwarted by the refusal of IBRD to allow for "pre-emption" of portions of a particular project. The Bank is also disturbed about the tendency for the IBRD to utilize the threat of disqualifying non-participating countries from bidding on projects financed under a joint arrangement. Eximbank solicits the advice and assistance of the other members of the Council in how best to overcome these problems.

a fundamental problem: international agencies should work for multilateralism whereas the X-M objective is to stimulate US exports.

Several broader issues have concerned the Bank involving relations with the IBRD and other of the multi-national lending agencies on which the reaction of the Council would be useful.

The need for increasing the flow of resources to the LDC's and the burden sharing advantages of funding such requirements through the international institutions is generally recognized. Eximbank, however, has been disturbed by a growing feeling among various influential sectors of the U. S. business community that they are being disadvantaged in IBRD/IDA procurement. A noteworthy illustration of this is the statement found in the last report of the National Export Expansion Council to the effect that U. S. manufacturers of electric

?

power equipment feel that they are not getting their "fair share" of the business financed by the IBRD. (The overall percentage of U. S. procurement under IBRD loans has fallen from 33.2% in FY 1963 to 19.8% in FY 1969.)

Whether justified or not such sentiment needs to be countered to avoid the possibility of it adversely affecting the prospects of continuing Congressional support for resource replenishment proposals. Should serious thought be given to whether it is in the U. S. interest to work toward the adoption of a policy by IBRD that it should direct its activities primarily to the financing of non-commercial projects requiring very long repayment terms and for which financing is not available from other sources on reasonable terms?

Another area of concern which could profitably be explored in depth by the NAC staff is the extent to which the procurement procecures of the IBRD need to be revised to remove any trace of discrimination against U. S. suppliers. A number of allegations have been made to this effect which, while difficult to prove, suggest the need for further examination.

IBRD procurement procedures appear to many U. S. suppliers to preclude package and turn-key proposals. Examples have been submitted to IBRD officials of the efficiencies to both the World Bank and the borrower which can accrue from the prime contractor approach, but the World Bank continues to favor competitive bidding which experience has shown to favor lower quality materials and a resultant long-range loss of efficiency to the borrower. Too, IBRD procurement procedures appear to other U. S. suppliers to prevent the borrower from receiving proposals in terms of "life-cost". With their growing sophistication in planning major projects, LDC officials fast are recognizing that cost of ownership, including maintenance, spares, personnel support, downtime factors, and productivity, should weigh as heavily in the procurement decisions as the factor of initial cost.

In regard to relationships with the IMF, Eximbank shares the general view that the IMF has performed a very useful function in recent years in persuading various LDC's to restrain their acceptance of supplier credits whose repayment has threatened to result in an excessive debt burden. When such agreements have taken the form of some overall quantitative limitation on the level of new credits assumed, we have generally supported these efforts. However, in a number of cases such restrictions have been expressed in terms of an undertaking not to accept credit with final maturities of say less than 8 years. Criteria of this type tend to distort the pattern of normal credit terms to the extent that the country concerned can cite the IMF agreement as a reason for requiring the supplier countries to extend their credit terms. In this regard, normal credit terms often are based on the useful life of the product and extending terms beyond this life imposes a gross disservice on the borrower. Granting eight-year terms on a truck with a four-year life, for example, makes little economic sense. Alternatively the IMF formulation may force the LDC to pay cash for certain necessary imports and thus further add to its immediate balance of payments problems. It is suggested that the Council request the U. S. Executive Director in the IMF to continue his efforts to avoid this problem.

LIMITED OFFICIAL USE

National Advisory Council
Document 70-115
March 25, 1970

TO : National Advisory Council

FROM : Secretary of the Council

SUBJECT: Discussion Paper Re: Policy Questions on Long-Term Financing of Eximbank Operation

Attached for information is Eximbank discussion paper on Policy Questions, Item 3 of the Council Meeting Agenda, March 27, 1970.

Attachment

LIMITED OFFICIAL USE

March 25, 1970

MEMORANDUM

To: National Advisory Council on International Monetary and Financial Policies

From: Export-Import Bank of the United States

Subject: Discussion paper re: Policy Questions on Long-Term Financing of Eximbank Operation

President Nixon's request for an increase in the level of Eximbank new program activity in Fiscal Year 1970 has been approved by the Congress. And now pending before the Congress is a request covering the Bank's Fiscal Year 1971 new program activity.

Briefly, the Fiscal Year 1971 request proposes --

$ 2,900,000,000 in direct loan authorizations;
700,000,000 in discount loan authorizations;
2,600,000,000 in guarantee and insurance authorizations.

Assuming Eximbank new program activities approximate these authorization levels, on June 30, 1971, the Bank will be within $357 million of its $13.5 billion statutory lending, guarantee and insurance authority, and within $175 million of its $3.5 billion statutory guarantee and insurance authority.

Even in the event that the Bank's new program activity authorizations fall short of the annual limitations, there still will be insufficient authority under the statutory limitations to permit the Bank to participate in a full program during Fiscal Year 1972.

Therefore, it will be necessary to seek from the Congress amendments to the Export-Import Bank Act raising each of the statutory limitations cited. The new levels requested must be

LIMITED OFFICIAL USE

determined at an early date, for it will be necessary to submit legislative proposals to the Congress either late this year or early in 1971, and these must be related to the annual level of new program activity deemed appropriate for Fiscal Year 1972.

The need to approach the Congress for these amendments to the Export-Import Bank Act creates an opportunity to seek further changes as appropriate in the Bank's enabling act.

One further change which should be proposed is the creation of explicit authority for the Bank to issue for purchase by any purchaser its obligations maturing subsequent to June 30, 1973.

Another further change which the Bank will seek to propose is the exclusion of Bank receipts and disbursements from the Budget of the United States Government. Associated with this change would be language codifying the requirement that the Bank submit its budget annually to the Congress.

Draft legislation embodying these points currently is pending before the Bureau of the Budget.

Still further, the Administration may want to review other restrictions on Eximbank activities, including those associated with maritime policies.

OPTIONAL FORM NO. 10
MAY 1962 EDITION
GSA FPMR (41 CFR) 101-11.6
UNITED STATES GOVERNMENT

FOR NATIONAL ADVISORY COUNCIL
USE ONLY

National Advisory Council
Document 70-62
February 24, 1970

Memorandum

TO : NAC Staff Committee

DATE: February 24, 1970

FROM : Treasury

SUBJECT: ExIm Proposal for Expanding Program of Preliminary Commitment

On February 10, the President of the Export-Import Bank addressed a memo to the National Advisory Council proposing that Eximbank expand its program for issuing preliminary commitments.

Treasury supports the Export-Import Bank objective as set out in that memorandum. We think, however, that procedures should be agreed to prevent future misunderstandings. Eximbank and other NAC agencies should also assure, so far as practicable, that the more extensive use of preliminary commitments will not result in a general easing of Export-Import Bank lending terms in situations where such easing is not required to make the U.S. credit offer fully competitive.

The advance commitment procedure introduces the clear prospect that terms will be generally eased.

First, there will be a tendency--since the advance commitment letter is designed to stimulate sales--that the most generous of Export-Import Bank's standard terms will be offered at the outset of negotiations. It will clearly not be possible to retreat from the terms so stated and subsequent adjustments, if any, would necessarily be in the direction of more lenient provisions.

Secondly, when a number of letters of commitment have been issued their terms will become widely known among exporters and importers and will become the basis from which negotiations begin. These considerations may be of some importance. The sample letter of commitment provides, for example, (a) that Export-Import Bank will accept repayment from the later maturities, (b) that Export-Import Bank will give the holder of the letter of commitment assurance of a 6 percent rate for 60 days if the standard Eximbank lending rate should be raised, and (c) a willingness of Eximbank to guarantee funds to cover up to 15 percent of local currency cost.

Any one, or all three, of these conditions may indeed be appropriate under some circumstances. The extent to which they should be regarded as "standard" terms appears to be a policy question which NAC should consider.

Mr. Kearns points out that the letter of commitment can be a very useful device in stimulating export sales. It could help the exporter interest a potential buyer by enabling the potential buyer to see the outlines of his financial problem, and encourage him to give serious consideration to conclusion of a purchase. It is possible, however, that many preliminary commitments will be given which do not, in fact, result in a final sale. That, in itself, is a reason why formal NAC concurrence may not be necessary. The "preliminary commitment" does not differ greatly from "letters of sympathy" and "advance commitments" issued in the past. Some of these were issued after consultation with NAC and some were issued without such consultation. The size and importance of the potential sale, the need for speed in making the commitment, and the presence or absence of unusual credit terms were relevant considerations in determining whether or not Eximbank asked for NAC review.

Similar considerations should continue to determine the extent to which preliminary commitments are reviewed in advance.

It is clear that where a "preliminary commitment" has been issued to a seller or to a buyer there is a strong presumption that a loan will be forthcoming if the sale is in fact, concluded. If the preliminary commitment involves terms which NAC would be reluctant to see in a final loan, the NAC agencies should be able to comment without binding NAC on the terms offered before a preliminary commitment is issued.

Treasury proposes that the NAC should express no objection to Mr. Kearns' proposal to use the letter of commitment technique more widely subject to the following understandings:

1. That a preliminary commitment in which the amount of ExIm's potential liability (direct loan plus guarantee) amounts to [$12] million or more will be submitted for NAC review under present procedures.

2. That preliminary commitments in which the Eximbank potential liability amounts to [$3] million or more but less that [$12] million shall be notified in writing to NAC agencies on the basis that if no agency asks for more formal consideration within [one] [two] working days, the Eximbank may assume that there is no objection on the part of the NAC.

3. That a letter of commitment in which the Eximbank potential liability amounts to less than [$3] million may be made without interagency concurrence and the agencies will accept their notification thereof in the normal Eximbank minutes.

4. That without respect to monetary limits included in 1, 2, and 3 above, Eximbank will submit for normal NAC consideration any advance commitment which, in the judgement of Eximbank, includes terms which differ from Eximbank's standard terms.

The value figures in the numbered paragraphs above and in the attached draft Action are bracketed and subject to further consideration. They are based on the assumption that the potential borrower would not reasonably expect as rapid response on larger commitments as he might on smaller commitments.

The package of papers presented by Mr. Kearns highlights several subsidiary policy issues which should be considered by NAC agencies.

1. Paragraph 9 of the proposed "Schedule of Information Required" should be revised. The NAC decision with respect to local cost financing suggests that Export-Import Bank guarantees for local cost financing should be limited to 15 percent of the cost of the U.S. goods and services included in the transaction, that U.S. offers to guarantee local cost financing should be made only when there are reliable indications that local cost financing is being offered by foreign competitors and when assistance in local cost financing appears necessary to place the United States exporter in a competitive position. Moreover, it was generally understood, by Treasury at least, that the approach to assisting in local cost financing should be on an experimental basis.

2. The specimen preliminary commitment letter addressed to I.G.E. Export Division provides in paragraph B that the direct loan from the Export-Import Bank will be repaid semiannually from the ninth through the sixteenth installments. The ability of the Export-Import Bank to defer repayments on its 6 percent direct loans permits a substantial reduction in the average interest cost which the buyer must pay; NAC has made no objection to this provision in individual transactions. Whether this should become the general practice in ExIm loans is a more substantive question. If acceptance of repayment from the later installments should become the normal practice, this would mean that ExIm returns on loans made currently would be substantially delayed and the budgetary cost of ExIm operations over the next few years would be substantially increased.

It is not clear that all export credit transactions require that ExIm be last out. If this provision is put into a number of preliminary commitment letters, it may not be long before all buyers and sellers begin to insist on this treatment. The "last out" provision became of fairly widespread use in connection with aircraft loans on the assumption that commercial banks were not prepared to hold 7 year paper. It appears to us that the banks have been increasingly prepared to hold, for example, 5 year export paper. Is there any requirement, then for ExIm to wait two or three years for its first repayment on credits totally repayable in five years or less? Or to stand aside entirely while others are being repaid when the total period of repayment extends beyond 5 years.

Treasury will suggest that the "standard" advance commitment letter be revised (paras B and D) to remove the offer of Eximbank to receive payment from the late maturities. This would not prevent ad hoc decisions to the contrary.

3. Paragraph B of the specimen letter has a provision, "Should there be any change [in ExIm's direct lending rate of six percent] a sixty day notification will be given to the applicant during which the six percent interest rate shall prevail." Is any such waiting period appropriate? If such a waiting period is necessary, should it be as long as sixty days?

FOR NATIONAL ADVISORY COUNCIL
USE ONLY

National Advisory Council
Document 70-42
February 13, 1970
(Action Sheet)

Subject: Export-Import Bank Advance Assurance of Financial Assistance

Draft Action:

The National Advisory Council, having taken favorable note of the memorandum (and related documents) of February 10, 1970, from the President of the Export-Import Bank to National Advisory Council Principals, advises the Export-Import Bank that it has no objection to the proposal to use the preliminary commitment technique more widely, subject to the following understandings:

1. That a preliminary commitment in which the Eximbank potential liability (direct loan plus guarantee) amounts to [$12] million or more will be submitted for prior NAC review under regular procedures.

2. That preliminary commitments in which the Eximbank potential liability amounts to [$3] million or more but less than [$12] million shall be notified in writing to NAC agencies on the basis that if no agency asks for more formal consideration within [one] [two] working days, the Eximbank may assume that there is no objection on the part of the NAC.

3. That a letter of commitment in which the Eximbank potential liability amounts to less than [$3] million may be made without interagency concurrence and the agencies will accept their notification thereof in the normal Eximbank minutes.

4. That without respect to monetary limits included in 1, 2, and 3 above, Eximbank will submit for normal NAC consideration any advance commitment which, in the judgement of Eximbank, includes terms which differ from Eximbank's standard terms.

FOR NATIONAL ADVISORY COUNCIL
USE ONLY

National Advisory Council
Document 70-42
February 13, 1970

MEMORANDUM

February 13, 1970

TO : National Advisory Council

FROM : Secretary of the Council

SUBJECT: Export-Import Bank Advance Assurance of Financial Assistance

The attached memorandum (and related documents) from the President of the Export-Import Bank proposes procedures for providing "preliminary commitments" of financing to importers and exporters of U.S. goods and services.

This will be discussed at the NAC Staff Meeting of February 17. Should a subsequent meeting at a higher level appear advisable, such a meeting will be scheduled in the near future.

EXPORT-IMPORT BANK OF THE UNITED STATES

WASHINGTON, D.C. 20571

CABLE ADDRESS "EXIMBANK"

PRESIDENT AND CHAIRMAN

February 10, 1970

MEMORANDUM

To: National Advisory Council Principals

In response to frequent and constant requests, the staff of the Export-Import Bank has prepared a procedure for providing advance financing information to the buyers and sellers of American goods. Sample tests indicate that this new device will be most helpful and should be productive of some very substantial export opportunities.

The program for preliminary commitment evolved from a reorganization of the procedures in handling the various types of cases that are part of Eximbank's operation. Subsequent field investigations and test presentations abroad and with American industry indicate that the usefulness of the procedures described in the attached documents far exceeds our expectations. Early response indicates that the volume of applications will reach considerable proportions, possibly amounting to hundreds per month.

One key aspect as related to the usefulness of the program is the ability to respond quickly to the applicants. Failure to do so will seriously reduce the effectiveness of the program. You will note from the attached memoranda prepared for general distribution and from the draft "preliminary commitment" document that, while this operation spells out the perimeters of Eximbank financing participation, it also levies the specific conditions under which the financial participation would be granted.

Singled out for special attention, of course, is the notation that inter-agency approval will be required in appropriate cases. At the outset of our development of this program it was believed that NAC approval of individual cases should not be required for this preliminary, non-committal step. However, subsequent discussion with certain departmental representatives has indicated that the members of the NAC may feel that it is in the national interest to submit the case recommendations relating to this preliminary commitment procedure to the NAC before notification of the Board's action is transmitted to the applicant. Of course the Eximbank has no objection to such a procedure if the Members of the NAC feel that it is necessary or desirable and if the NAC procedure can be of such nature that response is not unduly delayed. In our opinion, response by Eximbank should be made to the applicant within one week after receipt of a properly prepared application.

Pending the decision of the NAC, we recommend that the Eximbank Board of Directors be authorized to approve preliminary commitments in accordance with the attached documents, with the understanding that copies of all such approvals will be submitted for information to the Secretariat of the NAC. If at any time the agencies involved come to the conclusion that prior approval is desirable, the Eximbank will be pleased to revise its procedure to comply with that decision.

Your comments will be appreciated.

Henry Kearns

Copies to:

The Honorable David M. Kennedy
The Honorable Maurice H. Stans
The Honorable Arthur F. Burns
The Honorable Nathaniel Samuels
Mr. Charles R. Harley, Secretary

PA-B

EXIM BANK

EXPORT-IMPORT BANK OF THE UNITED STATES

ADVANCE ASSURANCE OF FINANCIAL ASSISTANCE

To assist purchasers and exporters of United States goods and services, the Board of Directors of the Export-Import Bank of the United States has adopted a simplified procedure for issuing, at an early date, preliminary commitments of financing assistance.

Prompt response to applicants is assured in all cases where information as outlined on the attached schedule accompanies the request.

After review of information, where Eximbank finds that its assistance may be appropriately given, a Preliminary Commitment will be issued. Principal elements of the commitment will include:

1. The amounts, interest rate, and terms of repayment of direct loans that may be available from Eximbank.

2. The amounts, terms, and conditions of loans required from sources other than Eximbank.

3. The amounts, terms, and conditions of guarantees of repayment that may be available from Eximbank for such loans from other sources.

4. The conditions under which loans or guarantees will be made available, such as cash payments, etc.

5. Any requirements for a guarantor.

6. Purpose of credit, period of draw-down, etc.

7. A schedule of information or assurances required before final approval can be awarded.

8. In applicable cases, notification that concurrence of other U. S. Government agencies, including the National Advisory Council, is required.

9. The expiry date of Preliminary Commitment.

A Preliminary Commitment will not require a fee or charge. Its purpose is to expedite useful transactions by clearly stating the financial assistance that is available from Eximbank if the applicant wishes to make use of the Bank's facilities.

Schedule of Information Required For Processing Applications for Direct Loans and Financial Guarantees

1. Country; name and address of borrower. If borrower is a government, the agency concerned; or if a business, the type of business entity (corporation, limited partnership, etc.).

2. Ownership and brief history of borrowing entity.

   a. If a new venture, names of principal officers and their experience.

3. Financing required for total project, including U. S. dollars and other currency components.

   a. Financing plan, including cash payment proposed, total amount of financing required, amount of financing desired from Eximbank.

   b. Proposed terms of all loans, including dates of first repayments. (Usually loans with Eximbank participation are repaid in semiannual installments.)

4. Description of efforts made to obtain dollar financing from sources other than Eximbank and results thereof.

   a. Eximbank's charter requires that it shall participate in financial transactions only when financing is not adequately available from private sources.

5. Official documents describing the financial responsibility of the borrower or, where appropriate, financial statements covering the preceding three-year period, including a full description of equity position.

   a. Where pertinent, present cash flow projections for five years.

6. A description of the project or purpose for which U. S. goods and services are to be used.

a. If project, demonstrate availability and cost of raw materials.

b. Describe the markets to be supplied, including market share (attach market study if available).

c. If the loan is to be used for a comprehensive project such as a power plant, irrigation system, etc., provide full, detailed information including technical engineering and feasibility studies and such other information as will demonstrate the viability of the project in which the purchase will be used.

d. If the loan is to be used for a comprehensive project, describe the principal categories of all products and/or services to be procured for the project and the proposed sources thereof by country.

e. Submit a proposed time schedule for all elements relating to the application, such as planning, designing, construction, equipping, delivery, start-up, and marketing.

f. Describe and identify the management plan for the project, both from an engineering and an operational standpoint.

7. Indicate host government measures intended to assist in assuring viability of the project, such as tariff or quota protection, tax benefits, etc.

8. Identify the guarantor of the obligation, including the name, title, and address of person with whom the Bank may correspond.

   a. If guarantor is private, furnish recent financial statements.

9. If local cost financing is required, describe in detail the amounts needed, the purposes for which they will be needed, the name of the host country entity that would guarantee repayment of local cost advances, and the local cost financing offered by competitors.

10. Include an <u>estimated schedule</u> of:

    a. Date when an Eximbank response to the application will be needed.

    b. When final approval of the financing arrangement will be required.

PA-Q

BANK

EXPORT-IMPORT BANK OF THE UNITED STATES

ADVANCE ASSURANCE OF FINANCIAL ASSISTANCE

AIRCRAFT

To assist purchasers and exporters of United States goods and services, the Board of Directors of the Export-Import Bank of the United States has adopted a simplified procedure for issuing, at an early date, preliminary commitments of financing assistance.

Prompt response to applicants is assured in all cases where information as outlined on the attached schedule accompanies the request.

After review of information, where Eximbank finds that its assistance may be appropriately given, a Preliminary Commitment will be issued. Principal elements of the commitment will include:

1. The amounts, interest rate, and terms of repaymentof direct loans that may be available from Eximbank.

2. The amounts, terms, and conditions of loans required from sources other than Eximbank.

3. The amounts, terms, and conditions of guarantees of repayment that may be available from Eximbank for such loans from other sources.

4. The conditions under which loans or guarantees will be made available, such as cash payments, etc.

5. Any requirements for a guarantor.

6. Purpose of credit, period of draw-down, etc.

7. A schedule of information or assurances required before final approval can be awarded.

8. In applicable cases, notification that concurrence of other U. S. Government agencies, including the National Advisory Council is required.

9. The expiry date of Preliminary Commitment.

A Preliminary Commitment will not require a fee or charge. Its purpose is to expedite useful transactions by clearly stating the financial assistance that is available from Eximbank if the applicant wishes to make use of the Bank's facilities.

Schedule of Information Required for Processing Applications for Preliminary Commitments for Purchases of Commercial Jet Aircraft

1. Country; name and address of purchasing airline; names of principal officers.

2. Ownership of airline (show percent privately owned, if any).

3. Financing required. Cash payment proposed, total amount of financing required, amount of financing desired from Eximbank, and description of efforts made (together with results thereof) to obtain all financing from sources other than Eximbank. (Eximbank's charter requires that it shall participate in financing transactions only when financing is not adequately available from other sources.)

4. Financial statements of the borrower for the last three years and projections to demonstrate ability to repay the total financing sought.

5. Routes on which the aircraft will be utilized, provisions for aircraft servicing, and proposed schedule for:

   a. Delivery of each aircraft, and

   b. Pre-delivery payments, if any, to aircraft suppliers.

6. Identify the guarantor of the obligation.

7. Include an estimate of the date when the firm purchase contract is to be signed.

EXPORT-IMPORT BANK OF THE UNITED STATES

WASHINGTON, D.C. 20571

CABLE ADDRESS "EXIMBANK"

SPECIMEN

IGE Export Division
General Electric Company
277 - 14th Street, N. W.
Washington, D. C. 10005

Attention: Mr. Roland Fridell
Government Relations, Manager

re: C. A. Energia Electrica de Venezuela (CAEEV)

Gentlemen:

We have received and reviewed your request for a Preliminary Commitment submitted to us on ______________.

We are very pleased to inform you that the Bank will be prepared to assist in financing the United States goods and services required for this installation, estimated at about $6.5 million, subject to the following conditions:

A. A cash payment by the purchaser of 10% of the U. S. cost of the goods and services related to the proposed project shall be paid.

B. A direct loan of up to 50% of the financed portion of the U. S. cost of the goods and services related to the proposed project to be repaid semiannually from the 9th through 16th installments. The interest rate on the Bank's direct credits is 6% at the present time. Should there be any change a 60-day notification will be given to the applicant during which the 6% interest rate shall prevail.

EXPORT-IMPORT BANK OF THE UNITED STATES

PRELIMINARY COMMITMENT

to

GENERAL ELECTRIC COMPANY, IGE EXPORT DIVISION

C. A. Energia Electrica de Venezuela

C. A commitment fee of 1/2 of 1% per annum will be charged on any undisbursed portion of the Eximbank loan. This fee shall commence to accrue 30 days after formal and final approval by the Bank of the detailed application hereinafter described.

D. An Eximbank financial guarantee, if desired, on a loan or loans to be made by other lenders acceptable to Eximbank for the remaining 50% of the financing, to be repaid semiannually from the 1st through the 8th installments. A guarantee fee of 1/2 of 1% per annum will be charged on the outstanding balance.

If the loan is from a U. S. source, the Bank's guarantee will cover principal and interest accrued at a rate not exceeding 6% per annum.

If the loan is from offshore sources, the Bank's guarantee will cover principal and interest at the rate agreed upon. In the event that Eximbank is called upon to honor its guarantee to an offshore lending institution it will do so within 30 days after default by the borrower in the currency in which the loan was originally made.

E. The exporter will be required to participate in the financed portion of the above project to the extent of ____________. The interest rate of the exporter's portion should be negotiated directly between the borrower and the exporter.

This Preliminary Commitment will expire on June 30, 1970, if an application in form and substance satisfactory to Eximbank has not been received from CAEEV. The application from CAEEV is to be accompanied by the following data:

(list of data necessary to clarify formal application)

In order for a formal and final commitment to be made it is required that the Bank receive the approval of the National Advisory Council on International Monetary and Financial Policies.

The purpose of the preliminary commitment procedure is to assist buyers, sellers, and financial institutions who may participate in a specific transaction. This Preliminary Commitment is made to assure all parties that the Export-Import Bank of the United States will proceed expeditiously to obtain formal and final approval when the specified conditions have been met.

Sincerely yours,

Don Bostwick
Executive Vice President

(Paragraph E will have to be tailored to each particular transaction.)

FOR NATIONAL ADVISORY COUNCIL
USE ONLY

National Advisory Council
Action 67-311
November 17, 1967

Subject: Policy Guidelines with Respect to Export-Import Bank Aircraft Financing

Action:

The National Advisory Council endorses the following policy guidelines with respect to Eximbank financing of sales of U.S. commercial jet aircraft:

1. Decisions on the financing of commercial jet aircraft sales to developed countries should be made on an ad hoc basis in order to give full weight to differences in (a) balance-of-payments positions, (b) reserve levels, (c) policies of reserve management, (d) competitive considerations, (e) proposed terms and amounts of financing, etc.

2. The Export-Import Bank should not necessarily offer identical financing terms to all borrowers. It should endeavor to maximize the cash received on or before delivery of the aircraft, taking account of the differences in the ability of various airlines to self-finance and their ability to borrow funds from non-United States sources.

3. The Export-Import Bank should satisfy itself in each case that the buyer and seller have made reasonable efforts to secure other financing preferably foreign financing where available and should itself attempt to secure as much private financial participation as possible.

4. The Export-Import Bank should continue to the maximum extent feasible the practice it has started of securing the buyer's agreement to a range of interest rates (presently 6 percent - 7 percent) in order to maximize prospects for subsequent sale of the paper in overseas markets or in the private market in the United States. This policy should apply whether or not the original transaction includes substantial private United States financing.

FOR NATIONAL ADVISORY COUNCIL
USE ONLY

National Advisory Council
Action 67-311

5. The Export-Import Bank should estabish an "early warning" system which will permit other NAC agencies to make their views known on potential loans at an early stage in their consideration.

The foregoing is the text of an action of the National Advisory Council on International Monetary and Financial Policies approved on November 17, 1967.

C. R. Harley

Charles R. Harley
Secretary

References:
NAC Document 67-316 (Revised)
Council Minutes 67-1