



December 10, 2020

Ms. Joyce B. Stone
Assistant Corporate Secretary
Export-Import Bank of the United States
811 Vermont Avenue, NW
Washington, DC 20571

Via Electronic Submission

Re: Export-Import Bank [Public Notice: EIB-2020-0011]: Proposal To Consider Changes to EXIM's Content Policy With Respect to the Program on China and Transformational Exports

Dear Ms. Stone:

BAFT (Bankers Association for Finance and Trade) respectfully submits this letter in response to the November 25th, 2020 request for comments by the U.S. Export-Import Bank (EXIM) in the *Federal Register* notice entitled "Proposal To Consider Changes to EXIM's Content Policy With Respect to the Program on China and Transformational Exports".

BAFT is an international financial services industry association whose membership includes nearly 300 financial institutions throughout the global community. Our members are active in trade finance and many of them utilize EXIM's guarantee and insurance programs. They recognize that trade finance programs offered and supported by EXIM are crucial to international commerce and the growth of the U.S. economy.

BAFT has long supported EXIM's operations and strongly supports changes to its U.S. medium- and long-term content policy ("content policy") in line with the priorities outlined for the Program on China and Transformational Exports. U.S. stakeholders and financial institutions regularly identify EXIM's content policy as the greatest challenge to EXIM's ability to support U.S. exports. Changes to EXIM's content policy would help level the "playing field" for Export Credit

Agency (ECA) financing, enhance the effectiveness of EXIM's programs, and significantly improve U.S. exporters' global competitiveness.

EXIM's China Program will go a long way to help address export subsidies for competing goods and services financed by official export credit, tied aid, or blended financing arrangements while advancing the comparative leadership of the U.S. in innovation and technological standards in certain transformational industries.

At a time of increasing global competition, foreign ECAs have stepped up to support their own national companies/exporters and expanded the scope of their work both within and outside of the OECD arrangement. EXIM has heightened its focus on increasing the competitiveness of its programs to help U.S. exporters compete in the global markets while remaining within the OECD arrangement. China, operating outside of the OECD arrangement, remains the world's largest provider of official export credit, with more medium- to long-term export credit than the rest of the world combined. Over the past year EXIM has made strides to increase the agency's capacity to support U.S. exporters in multiple industries. We enthusiastically welcome the proposal to consider changes to EXIM's content policy.

Reforms to the content policy are critical to ensuring that the U.S. can effectively compete with China and other counterparts. In addition to bringing competitive financing to the table (both under the long-term and medium-term guarantee programs) EXIM's programs directly benefit smaller exporters with fewer internal resources. Less restrictive U.S. content requirements significantly improves such access.

As complexity increases in manufacturing processes and the global supply chain, it is increasingly difficult to identify and track levels and sources of non-U.S. content. This is particularly true for small businesses that do not have the resources to devote to tracking such data. Stringent content requirements can result in fewer U.S. exports than might otherwise be achieved. As has already been noted, this policy puts EXIM at a competitive disadvantage vis-a-vis other ECAs which do not impose such restrictions. Current content requirements make it more difficult for private sector lenders to support complex, multi-sourced deals that could ultimately benefit the U.S. economy. It is important to acknowledge that U.S. companies' participation in increasingly globalized supply chains extends the benefits more broadly throughout the U.S. economy in a way that dollar-for-dollar accounting of U.S. content does not fully capture.

As EXIM assesses how to revise its content policy, we recommend alignment with other foreign ECAs in Europe and Asia to ensure a level playing field for U.S. exporters. We support the most flexible content policy practicable and would suggest a 20%-30% threshold which would (i) align with the objectives of the Program on China and Transformational Exports, and (ii) better compete with the content policies of other ECAs. In order to facilitate implementation of a revised policy, and reduce the administrative burden on exporters, other EXIM documentary requirements (e.g., U.S. invoice address) should be adjusted accordingly.

We commend EXIM for undertaking this review of its content policy and as revised content requirements move forward, we ask that you look to partners in the export/trade finance community to ensure that meeting revised requirements is not unduly onerous. It should also be noted that any change in EXIM content requirement may entail a review of the MARAD U.S. flag policy. We would urge EXIM to undertake a review of other policies that would help the Agency fulfill the goals of the Program on China and Transformational Exports.

Thank you for the opportunity to provide comments. If you have any questions, please contact Stacey Facter, Senior Vice President, Trade Products at sfacter@baft.org or Diana Rodriguez, Vice President, International Policy at drosdriguez@baft.org.

Very truly yours,

A handwritten signature in black ink that reads "Tod R. Burwell". The signature is written in a cursive, flowing style.

Tod R. Burwell
President and Chief Executive Officer