



May 14, 2021

Mr. Scott Condren  
Sr. Policy Analyst, Office of Policy Analysis and International Relations.  
Export-Import Bank of the United States  
811 Vermont Avenue, NW  
Washington, DC 20571

*Via Electronic Submission*

Re: Public Notice: EIB-2021-0001-0001: Information Request on U.S. and Foreign Content in Transformational Exports

Dear Mr. Condren:

BAFT (Bankers Association for Finance and Trade) respectfully submits this letter in response to the April 23, 2021 request for comments by the U.S. Export-Import Bank (EXIM) in the *Federal Register* notice entitled “Information Request on U.S. and Foreign Content in 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. We recognize that trade finance programs offered and supported by EXIM are crucial to international commerce and the growth of the U.S. economy.

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. As such, we enthusiastically welcomed the December 2020 Board approval of new content principles for ten congressionally defined transformational sectors as part of the Program on China and Transformational Exports (PCTE). We viewed the changes as a positive step towards addressing the goal of leveling the “playing field” for Export Credit Agency (ECA) financing, enhancing the effectiveness of EXIM’s programs, and significantly improving U.S. exporters’ global competitiveness.

As EXIM moves toward further implementation, we recommend alignment with ECAs in Europe and Asia to ensure a level playing field for U.S. exporters and support the most flexible content policy practicable, one that aligns with the reality of global supply chains that have become a foundation of most manufacturing companies' business models. We therefore caution EXIM against adopting the proposed narrow implementation of the financing support for transactions in the Transformational Exports that would have a markedly negative impact on EXIM's global competitiveness while burdening exporters and other EXIM stakeholders with unduly onerous requirements. For example, the proposal to designate Chinese content as "ineligible foreign content," runs counter to the goal of modernizing EXIM content policy and we oppose implementation in this manner.

We support the more expansive proposed implementation that would allow EXIM to support goods in a U.S. exporter's contract, including those supplied by foreign subsidiaries and sub-suppliers that would be shipped directly from a third country to a foreign buyer. Implementation in this manner more closely aligns with the reality of U.S. supply chains in which U.S. exporters source multiple components from various sources, often located in several countries, and would align with the goal of supporting U.S. jobs. Additionally, there is an inherent inefficiency, not to mention higher costs, as well as additional carbon impact of shipping goods from a third country to the U.S., and then shipping to the foreign borrower. Providing this flexibility will allow more prospective borrowers to utilize EXIM products.

We offer the following in response to your request for comments:

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**5. The timing and cost implications of requiring U.S. shipping for shipments from foreign ports directly to the buyer.**

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The proposed changes to EXIM content requirements will entail a review of the MARAD U.S. flag policy. We note that no other ECA has this requirement, which clearly has deterred borrowers from utilizing EXIM (with a commensurate detrimental effect on U.S. exports). Continuing to impose additional burdens and limitations would indeed drive away borrowers and exporters from utilizing EXIM financing at a time when access is critical to support U.S. economic recovery through exports.

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**6. The feasibility of an EXIM prohibition on covering content from the People's Republic of China.**

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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 – including content originating in China. This is particularly true for small businesses that do not have the resources to devote to tracking such data. EXIM's stringent content requirements and a China ban can result in support for fewer U.S. exports than might otherwise be achieved because other ECAs do not restrict their exporters in this manner. 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.

Rather than asking exporters to attest to Chinese content up front, consider doing a post transaction audit of a given medium/long term guaranteed transaction to determine U.S. content. The Exporter's Certificate attestation is too onerous for the many exporters who, in some cases, are unwilling to be placed in legal jeopardy if they are unable to attest with certainty regarding Chinese content (particularly when they are relying on downstream suppliers). While the U.S. goal is to see more U.S. exporters exclude Chinese content from U.S. exports, in the short and medium term, the EXIM China content exclusion will force many exporters to (i) leverage other ECA financing, and (ii) shift their sourcing accordingly, including to China.

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 and a broader definition of "Transformational Exports" will significantly improve such access.

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](mailto:sfacter@baft.org) or Diana Rodriguez, Vice President, International Policy at [drosdriguez@baft.org](mailto: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