

the guarantee of the government of the buyer's country or a reliable bank in the buyer's country. In the case of transactions involving foreign governments or public enterprises, a guarantee from the central bank of the country concerned may be requested. The promissory notes signed by the buyer or the drafts drawn on him must be in English, expressed in United States dollars, and be payable at a bank in the United States.

(b) United States suppliers can seek financing from commercial banks or private financial firms, which will be given guarantees by Eximbank. Under the Eximbank guarantee programme, the credit institution is obliged to provide non-recourse financing and to assume the commercial credit risks for the early maturities. The buyer is required to make an initial cash payment of at least 10 to 20 per cent to the exporter on or before delivery. The credit institution provides the financing, usually by purchasing a 90 per cent interest in the financed portion of the sale, the exporter assuming responsibility for the remaining 10 per cent. These credits are often granted on an advanced commitment basis: a firm commitment of assistance from his bank may be sought by the exporter while he is negotiating with a foreign customer, or when he is obliged to specify the credit terms in his bid to a foreign customer for a sales contract.

(c) United States suppliers may in certain cases obtain financing, with or without recourse, from commercial banks or private financial firms, without being obliged to procure a FCIA insurance policy or an Eximbank guarantee. Such credits can only be obtained by exporters with high credit ratings for transactions destined to countries where currency and political risks are considered to be negligible. Conditions—such as the down payment by the buyer, the contingent liability to be assumed by the exporter, guarantees by foreign banks or acceptable third parties etc.—are agreed upon by the exporter and the credit institution on a case-by-case basis.

(d) When two credit institutions have refused to finance an export transaction under the Eximbank guarantee programme, or have declined to finance it even with FCIA insurance, Eximbank may be willing to finance the export transaction on the same terms and conditions as those used under the ordinary guarantee and insurance programmes. However, very few applications for direct assistance are now submitted to Eximbank.

Long-term suppliers' credits

414. When a supplier can prove that he is facing competition from a foreign supplier as regards the length of the credits to be offered, commercial banks may offer him credits with maturities of up to twelve years, which will be guaranteed under the "matching principle" by Eximbank within the framework of its bank guarantee programme.

EXPORT CREDIT INSURANCE

FCIA export credit insurance

415. The United States credit insurance scheme is operated by the Foreign Credit Insurance Association, in collaboration with Eximbank. The FCIA is an unincorporated association of approximately sixty-five stock and mutual insurance companies; it started functioning in February 1962. The FCIA insures commercial risks for its own account and non-commercial risks for account of the Government through Eximbank, which also provides reinsurance for liabilities above certain limits in respect of commercial risks. Under arrangements introduced in 1964, Eximbank gave the FCIA discretionary authority to expedite the insurance of export credit transactions involving invoice values of up to \$300,000 in selective markets. Beneficiaries of export credit insurance policies may be:

(a) Corporations organized and operating under United States law;

(b) Individuals or partnerships resident in the United States (except partnerships consisting of one or more foreign-controlled corporations), or

(c) Foreign corporations which are doing business in the United States.

416. Short-term insurance policies stipulate that exports must be "produced or manufactured in the United States to the extent that at least one half of the value, exclusive of price mark-up, has been added by labour or material exclusively of United States origin". Medium-term insurance policies are primarily designed to cover heavy durables, machinery, plant equipment, etc., produced or manufactured in the United States, and certain types of livestock and surplus agricultural products originating in the United States. Insurance is granted for the value of the United States content on products with a minor percentage of foreign content.