

# Report to the U.S. Congress on Global Export Credit Competition

June 2020

For the period January 1, 2019  
through December 31, 2019



Competing for **Jobs**  
Through Exports

**EXIM**  
EXPORT-IMPORT BANK  
OF THE UNITED STATES

**Table of Contents**

Preface: The Official Export Finance Market’s Response to COVID-19 ..... 1

From the President and Chairman..... 3

Board of Directors and Advisory Committee Status..... 9

EXIM 2019–2020 Advisory Committee Statement on the EXIM Competitiveness Report ..... 10

EXIM 2019–2020 Sub-Saharan Africa Advisory Committee ..... 16

Executive Summary ..... 18

Introduction: A Primer on EXIM’s Programs and Official MLT Export and Trade-related Finance ..... 21

**Section 1: Trends in Official MLT Export and Trade-related Activity ..... 31**

**Chapter 1:** OECD and Non-OECD Official MLT Export and Trade-related Activity in 2019..... 32

**Chapter 2:** Chinese Export and Trade-related Programs..... 40

**Chapter 3:** Support for Small Businesses in Global Competition ..... 45

**Chapter 4:** Innovative Export Finance ..... 52

**Section 2: Stakeholder Views..... 55**

**Appendices: Required Reporting and Further Reading .....61**

**Appendix A:** EXIM Actions to Provide Competitive Financing and to Minimize Competition in Government-supported Export Financing ..... 62

**Appendix B:** Purpose of EXIM Transactions..... 64

**Appendix C:** Equal Access for U.S. Insurance ..... 65

**Appendix D:** Tied Aid Credit Program and Fund..... 66

**Appendix E:** Co-financing..... 70

**Appendix F:** Renewable Energy Exports ..... 72

**Appendix G:** Size of EXIM Program Account ..... 74

**Appendix H:** Services Exports..... 75

**Appendix I:** Export Finance Cases Not in Compliance with the Arrangement..... 76

**Appendix J:** Activities Not Consistent with the WTO Agreement on Subsidies and Countervailing Measures ..... 77

**Appendix K:** U.S. Flag Shipping Requirement..... 78

**Appendix L:** Trade Promotion Coordinating Committee ..... 80

**Appendix M:** List of Known Official Export Credit Providers ..... 84

**Glossary ..... 87**

**Acronyms and Abbreviations ..... 89**

**About the Cover: Competing for Jobs Through Exports**

This year’s cover depicts, in order, the top eight providers of official medium- and long-term export credits in 2019, each of which provided more than \$5 billion in support last year: China, Italy, Germany, India, United Kingdom, France, South Korea, and the United States. (See page 84 for a full list of providers and volumes.)

Export credit agencies (ECAs) from these countries, including the United States, are striving to support their exporters, who are battling against foreign competition in the race for international sales. They are competing to help their nations’ businesses grow domestic employment, in both the near- and long-term.

---

# Preface: The Official Export Finance Market's Response to COVID-19

Each year, EXIM's Report to the U.S. Congress on Global Export Credit Competition (the Competitiveness Report) is submitted to the United States Congress by June 30 and covers events in the previous calendar year, as mandated by The Export-Import Bank Act of 1945, as amended (12 U.S.C. 635 et seq, and hereafter referred to as the Charter or EXIM's Charter).<sup>1</sup> Although the rest of this report will cover calendar year 2019, EXIM cannot ignore the current market disruptions COVID-19 has caused – and the reactions of export credit agencies (ECAs) to the resulting instability.

ECAs have shown that they can quickly adapt in response to a crisis, just as they did following the Global Financial Crisis (GFC) of 2008. In response to the market downturn caused by the COVID-19 pandemic, ECAs around the globe (including EXIM) took swift action to support their respective countries' economies by implementing programmatic and policy changes. In response to the 2020 COVID crisis, EXIM implemented a continuing series of transaction restructuring in its portfolio. In March 2020, EXIM also enacted temporary enhancements to the following programs to provide relief to U.S. businesses, their buyers, financial institutions, and American workers negatively impacted by COVID-19:

- Bridge Financing Program,
- Pre-Delivery / Pre-Export Financing Program,
- Supply Chain Financing Guarantee Program, and
- Working Capital Guarantee Program.

Other major ECAs responded to the COVID-19 pandemic by:

1. Actively managing portfolio risks, including debt deferment and restructuring measures,
2. Enhancing short-term programs to address exporters' immediate liquidity needs, and
3. Tweaking internal procedures and policies governing the issuance of new medium- and long-term (MLT) financing to make such support more useful to a wider swath of exporters.

In addition to the many concrete actions taken by ECAs to respond to the COVID crisis, in the first quarter of 2020, ECAs reported on their preparedness to step in and support their exporters, whatever the need.

Regarding the degree of market disruptions ECAs are seeking to alleviate, commercial banks active in export finance regard the COVID-19 crisis as a corporate crisis, much different than the GFC. Banking regulations put in place post-GFC have put banks in much stronger positions to handle the COVID-19 crisis by increasing the capital they have on hand. While this is a developing situation, commercial banks have indicated that U.S. dollar liquidity and risk appetite are areas that are being impacted due to uncertain funding costs and deteriorating corporate credit profiles. Commercial banks anticipate ECAs will be required to expand their risk appetites towards more

---

<sup>1</sup> 12 U.S.C. § 635g-1

unconditional ECA products, including ECA direct loans and 100% guarantees. However, EXIM will gauge its support to limit its risk share as much as possible to encourage commercial sector participation and take emergency measures that are intended to be temporary. Stakeholders also shared concerns that unilateral or fractured ECA responses would result in an unlevel playing field. Stakeholders are calling for multilateral measures – including changes to the OECD Arrangement – to respond to the current economic disruptions.

In the 2020 Competitiveness Report, EXIM will examine in greater detail the new tools ECAs put in place to support their exporters during the COVID-19 pandemic, and the emerging impacts of these tools, along with additional developments taking place in calendar year 2020.

*“The measures that EKN is now implementing are more extensive than those during the 2008 financial crisis. The needs are broader and small and medium-sized companies are more affected.” – EKN<sup>2</sup>*

*“In the French ECA system, usually we do not have short term business, unlike other ECAs, [but] we’ve restarted a mechanism that worked in the 2008 crisis after Lehman.” – Gabriel Cumenge, deputy secretary, French Ministry of Finance<sup>3</sup>*

2 EKN, “New and extended guarantees from EKN to support exporting companies” <https://www.ekn.se/en/about-ekn/newsroom/archive/2020/press-releases/new-and-extended-guarantees/>

3 TXF, “Pedal to the metal on sustainability for France’s MoF” <https://www.txfnews.com/News/Article/6963/Keynote-Pedal-still-to-the-metal-on-sustainability-for-Frances-MoF>

---

# From the President and Chairman



In accordance with the agency's Charter<sup>i</sup>, I am pleased to submit to the U.S. Congress the June 2020 Report on Global Export Credit Competition of the Export-Import Bank of the United States (EXIM) (Competitiveness Report, Report) for Calendar Year (CY) 2019.

This is the 53<sup>rd</sup> edition of the Competitiveness Report. Beyond identifying the global competition EXIM faces as it carries out its mission of supporting U.S. jobs by facilitating American exports, this Report also has become the definitive reference point for anyone seeking to understand the world of export and trade-related finance.

First mandated by Congress in 1971, EXIM's Competitiveness Report is the only product of its kind because of EXIM's talented professionals, who employ their years of knowledge and expertise to conduct a close examination of the activities of the world's major export credit agencies (ECAs) and convey the information in a credible, user-friendly way. The Report also benefits from EXIM's unique status as an independent, major ECA positioned at the confluence of information from governmental and private sector sources around the world, ranging from banks to exporters; from the Organisation for Economic Co-operation and Development (OECD)<sup>ii</sup> to the G7 and G12 Heads of ECAs<sup>iii</sup>; from the Berne Union<sup>iv</sup> to the wider ECA community.

And, this Report would not be possible without the diverse insights and recommendations from our esteemed EXIM Advisory Committee, chaired by the Honorable Stevan Pearce. I thank the Advisory Committee Members for their commitment to EXIM and advising the agency on our policies and programs, as well as for their comments included in this Report, as required by Congress, "on the extent to which the Bank is meeting its mandate to provide competitive financing to expand United States exports, and any suggestions for improvements in this regard."<sup>v</sup>

The year 2019 was historic for EXIM. Following President Donald J. Trump's firm commitment to EXIM and its mission of supporting U.S. companies and workers as they seek to compete and win in the intense global marketplace, the U.S. Senate, on a robust, bipartisan basis on May 8, 2019, confirmed me as the first woman

President and Chairman of the Board of Directors of EXIM,<sup>vi</sup> as well as my colleagues Spencer Bachus III and Judith D. Pryor as Board Members, thereby restoring the Board quorum and fully re-opening the agency after more than four years of relative dormancy.

After an intense period of hard work following EXIM's re-opening, another historic victory occurred seven months later when, on December 20, 2019, Congress approved and President Trump signed into law a bipartisan, seven-year reauthorization of EXIM—the longest in the agency's 86-year history. This unequivocal expression of confidence in EXIM's mission also provided the global marketplace with needed certainty, and U.S. companies and workers a more level playing field for selling their outstanding, high-quality "Made In the USA" goods and services around the world.

I want to thank President Trump and Members of Congress of both parties for the long-term trust they placed in EXIM.

The strong support for EXIM's reauthorization also reflected the interest of Congressional leaders in my commitment to reforming<sup>vii</sup>—and, in fact, transforming—the agency in six different ways by:

1. Increasing transparency;
2. Strengthening taxpayer protections;
3. Improving protections for domestic companies;
4. Ensuring EXIM does not "crowd out" private financing options;
5. Cracking down on bad actors; and
6. Working to reduce the reliance on export credit agencies globally.

I wholeheartedly agree with those who argue that, ideally, economic freedom and prosperity are greater in a world without government-sponsored export credit agencies. Indeed, the agency's Charter encourages an end to all "predatory export financing programs and other forms of export subsidies,"<sup>viii</sup> and, thanks to President Trump, there is renewed focus on this priority.

In the meantime, however, the United States cannot unilaterally disarm and turn its back on America's workers in an ever-fiercer global marketplace fueled by ECAs. It is therefore imperative for the competitiveness of our Nation, when private-sector financing is not available, that EXIM help level the global playing field, especially for our small and women-, minority-, and veteran-owned businesses.

When reviewed collectively, the Competitiveness Reports over the years highlight important trends, including how many countries—and their respective ECAs—are operating worldwide for the benefit of their nations' companies and workers. For example, this edition of the Competitiveness Report shows that the world now has 115 known official export credit providers, up from 85 just four years earlier<sup>ix</sup>—a 35-percent increase from 2015 to 2019. This significant expansion occurred at the same time EXIM—an important tool in the United States' trade toolbox for America's companies and workers—was not able to consider medium- and long-term transactions exceeding \$10 million because it lacked a Board quorum.

Over this same period, China's official financing activity continued to dominate the market. In fact, when it comes to export credit financing, *China is fundamentally changing the nature of competition*. China is very aggressive, strategically focused, and, unlike the United States and many other countries, not subject to the same international rules and agreements. From 2015 to 2019, *China's official medium- and long-term (MLT) export credit activity alone was at least equal to 90 percent of that provided by all G7 countries combined*. In addition, it is important to note, as this

Competitiveness Report describes, that beyond its official ECAs, China uses several other government entities to finance its exports and unfair trade practices through a variety of means, including export credits.

Readers of this Report will find that during EXIM's four-year absence, other nations' economies directly benefited in a variety of ways thanks to their governments' commitments to ECAs, as those countries deepened global trading relationships and strengthened domestic supply chains.

With EXIM's return, President Trump clearly articulated his expectation to me during my swearing-in ceremony in the Oval Office: "try to give American workers a level playing field and to expand foreign markets for American-made goods" and, when it comes to the United States' great small businesses, "aim to do even better." My EXIM colleagues and I have been very focused on doing just this as we work to achieve EXIM's new vision: "Keeping America Strong: Empowering U.S. Businesses and Workers to Compete Globally."

In Fiscal Year (FY) 2019, EXIM authorized \$8.2 billion in loan guarantees, export credit insurance, and direct loans across its short-, medium-, and long-term programs in support of \$9.1 billion in U.S. export sales, which supported approximately 34,000 American jobs. EXIM's small business authorizations totaled nearly \$2.3 billion, with 89 percent of total EXIM transactions providing direct benefit to small businesses in FY 2019.

Increasingly, some countries employ their ECAs to further their geopolitical aspirations; unquestionably, China is the most aggressive example of this, and a catalyst for other countries' export finance activities becoming more assertive. In particular, Beijing is using its two official ECAs, along with a number of other state entities such as state-owned banks and state-owned enterprises, to expand influence and gain competitive advantages against the United States. This necessitates a robust and integrated U.S. response, and EXIM is a crucial element of statecraft in that regard.

Given these realities, and consistent with President Trump's statement that "economic security is national security," I established the first position there has ever been within EXIM whose duties are devoted to national security. Through this position, EXIM began more active participation in the policy coordination process led by the National Security Council—the President of the United States' principal forum for considering national security and foreign policy matters with his senior national security advisors and cabinet officials—and expanded its involvement in interagency engagements in support of Trump Administration international priorities, including wireless technology (including 5G, i.e., fifth-generation wireless technology), liquefied natural gas (LNG), A Free and Open Indo-Pacific, Prosper Africa, and America Crece, among others. This position also works closely with the U.S. government's cross-cutting "deal teams" to support opportunities that bolster strategic American interests and partnerships abroad.

Congress also recognized the vital role EXIM must play when it mandated in EXIM's 2019 reauthorization legislation that the agency establish a new "Program on China and Transformational Exports" (Program), one of the most significant initiatives in EXIM's 86-year history.

As previously noted, China has changed the nature of competition. The purpose of the Program is "to support the extension of loans, guarantees, and insurance, at rates and on terms and other conditions, to the extent practicable, that are fully competitive with rates, terms, and other conditions established by the People's Republic of China"<sup>x</sup> or by other covered countries (as designated by the Secretary of the Treasury). The law charges EXIM with a goal of reserving not less than 20 percent of the agency's total financing authority (i.e., \$27 billion out of a total of \$135 billion) for support made pursuant to the Program. The Program also is charged with advancing "the comparative leadership of the United States" with respect to China, and EXIM is to support "United States innovation, employment, and technological standards," through direct exports in 10 industries key to America's future, ranging from 5G to fintech to renewable energy to biotechnology, and the associated services necessary for use of these exports.<sup>xi</sup>

EXIM relishes this opportunity for America to take on China's opaque and exploitative model of economic development and finance. Through this Program, EXIM will play a critical part in ensuring that U.S. companies can compete more successfully with China around the world.

Particularly given that sub-Saharan Africa is a priority for EXIM and me personally, I also am deeply grateful to the Members of EXIM's Sub-Saharan Africa Advisory Committee (SAAC), which is chaired by Daniel Runde, for their engagement and advice, as required by Congress, on "the development and implementation of policies and programs designed to support the expansion" of "financial commitments in sub-Saharan Africa under the loan, guarantee, and insurance programs."<sup>xii</sup>

With six of the ten fastest-growing economies in the world and more than one billion consumers, Africa is poised to play a pivotal role in the global economy. At a time when countries like China, through its Belt and Road Initiative (BRI) and Made in China 2025 efforts, are increasing their presence in sub-Saharan Africa and beyond, EXIM has heard loud and clear, especially from Congress and the SAAC, that our agency has a critical role in helping America's businesses and workers fairly compete for these opportunities, while simultaneously creating and sustaining U.S. jobs at home.

I was honored, not even a month into my tenure at EXIM, to lead the U.S. Presidential Delegation and represent our country at the 2019 inauguration of His Excellency Cyril Ramaphosa, President of the Republic of South Africa, and begin a very important dialogue with leaders from throughout the African continent. This engagement continued on a variety of fronts through the remainder of the year, including with sub-Saharan African foreign ministers at the 74th United Nations General Assembly, as well as with Cabo Verde Secretary of State for Finance Gilberto Barros, African Export-Import Bank President and Chairman Dr. Benedict Oramah, and Corporate Council on Africa members. During the 2019 International Monetary Fund and the World Bank Group annual meetings, Senegal's Minister for the Economy, Planning and Cooperation Amadou Hott and I signed a \$500 million memorandum of understanding. Minister Hott noted: "This agreement builds a solid foundation for future capacity building, two-way trade and investment between the United States and Senegal, and we look forward to growing our strong partnership."

When it comes to the agency's 2019 transactions in sub-Saharan Africa, EXIM authorized \$5 billion<sup>xiii</sup>—then the largest transaction in EXIM's history—for the export of U.S. goods and services, and support of thousands of U.S. jobs, to assist the building of an LNG project in Mozambique. This transaction is significant not only because of its historic size, contribution to the American workforce, and transformative economic freedom potential for the people of Mozambique, but also because EXIM's involvement helped displace Chinese and Russian financing from this deal.

While this Competitiveness Report focuses on CY 2019, I also want to recognize everyone who is coming together to save lives and protect livelihoods in the midst of the COVID-19 (coronavirus) global pandemic, including my colleagues at EXIM who took swift action and continue to respond to the U.S. and global financial disruptions and instabilities.

At the outset of the crisis, EXIM quickly mobilized as part of a whole-of-government approach to focus on the pandemic economic recovery. EXIM, while transforming into a temporarily fully-teleworking agency and putting health and safety first, worked with American exporters to reduce the negative economic impacts—especially when it comes to U.S. jobs—of the pandemic.

EXIM is needed most during periods of stress in global financial markets, which EXIM experienced following the 2008 financial crisis when its authorizations increased 80 percent. This Report describes how, given the unique challenges of this time, EXIM is ensuring the availability of export credit. As the American economy further rebounds, EXIM will continue to support U.S. exporters and jobs, especially for our Nation's small businesses that need us most.

I recognize and thank my fellow Board Members, Directors Bachus and Pryor, and every member of the fabulous EXIM team. It is a point of pride for EXIM's 515 diverse and exceptional colleagues—including 400 federal employees and 115 contractors—that we are a rare civilian agency within the federal government that both supports large numbers of private sector American jobs and plays a critical role in advancing U.S. leadership around the world. And, when fully operational, as it is now, EXIM costs the American taxpayer nothing. Because we charge fees and interest to the foreign purchasers of U.S. exported goods and services, EXIM more than pays for itself, bringing more than \$9 billion into the U.S. Treasury since 1992, while maintaining a very low default rate—now at less than 0.5%—and protecting the taxpayer due to EXIM's diligent underwriting and prudent risk management.

It is an immense honor to be a part of and continue to further this historic effort to support and advance our Nation's prosperity. Thanks to our long-term reauthorization, EXIM will be serving American businesses of all sizes that seek to export, supporting U.S. jobs, and keeping America strong for years to come.

Sincerely,

A handwritten signature in black ink that reads "Kimberly A. Reed". The signature is written in a cursive, flowing style.

Kimberly A. Reed  
President and Chairman of the Board of Directors

## Endnotes

- i 12 U.S.C. 635g-1
  - ii The OECD is the forum for maintaining, developing and monitoring the financial disciplines for export credits, which are contained within the Arrangement on Officially Supported Export Credits (the Arrangement) and that aim to create a “level playing field” on which exporters can compete. The Arrangement also contains important transparency provisions which facilitate information sharing among Participants to the Arrangement. Participants include Australia, Canada, the European Union, Japan, Korea, New Zealand, Norway, Switzerland, Turkey, and the United States. While information on trade-related financing that falls outside the scope of the Arrangement (discussed later in this Report) is difficult to come by, EXIM estimates that approximately 65 percent of all export and trade-related financing – including all of China’s \$76 billion in 2019 – takes place in the shadows and outside the Arrangement. Of the 115 known official export credit providers around the world, 35 have reported Arrangement-compliant business.
  - iii G7 ECA Member Countries include Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States. G12 ECA Member Countries include Brazil, Canada, China, France, Germany, India, Italy, Japan, Russia, South Korea, the United Kingdom, and the United States.
  - iv The Berne Union is the leading international association of official export credit and private insurance providers.
  - v 12 U.S.C. 635a(d)(4).
  - vi Cong. Rec. S2710 (daily ed. May 8, 2019), 165 Cong. Rec. S2780 (daily ed. May 13, 2019).
  - vii At a June 27, 2019, Senate Committee on Banking, Housing, and Urban hearing, “Oversight and Reauthorizations of the Export-Import Bank of the United States,” I outlined my leadership priorities that I also shared with my EXIM colleagues on my first day on the job: “I am committed to fully reopening, reforming, and reauthorizing EXIM, and providing positive results for America’s workers and businesses, while protecting taxpayers, so that we can better compete with countries like China.” A constructive and an essential reform took place on May 22, 2020, when, following an 11-month review of economic impact and “additionality” procedures, the Board of Directors unanimously voted to adopt key reforms to increase transparency and protect U.S. tax-payers, while supporting U.S. businesses and jobs.
  - viii 12 U.S.C. 635a-1(a); see also 12 U.S.C. 635a-5(a)(1).
  - ix June 2016 Report to the U.S. Congress on Global Export Credit Competition of the Export-Import Bank of the United States (EXIM) for CY 2015.
  - x 12 U.S.C. 635(l)(1).
  - xi 12 U.S.C. 635(l)(1)(B) lists these areas:
    - “(i) Artificial intelligence.
    - (ii) Biotechnology.
    - (iii) Biomedical sciences.
    - (iv) Wireless communications equipment (including 5G or subsequent wireless technologies).
    - (v) Quantum computing.
    - (vi) Renewable energy, energy efficiency, and energy storage.
    - (vii) Semiconductor and semiconductor machinery manufacturing.
    - (viii) Emerging financial technologies, including technologies that facilitate—
      - (I) financial inclusion through increased access to capital and financial services;
      - (II) data security and privacy;
      - (III) payments, the transfer of funds, and associated messaging services; and
      - (IV) efforts to combat money laundering and the financing of terrorism.
    - (ix) Water treatment and sanitation, including technologies and infrastructure to reduce contaminants and improve water quality.
    - (x) High performance computing.”
- 12 U.S.C. 635(b)(9)(A)
- xii On May 14, 2020, EXIM’s Board of Directors unanimously amended the project’s scope and authorization to \$4.7 billion, yet it will support an increased number of American jobs—an estimated 16,700 jobs in Florida, Georgia, Louisiana, New York, Oklahoma, Pennsylvania, Tennessee, and Texas, and the District of Columbia—and 68 U.S. suppliers. Follow-on sales are expected to support thousands of additional jobs across the United States.

---

# Board of Directors and Advisory Committee Status

On May 9, 2019, Kimberly A. Reed was sworn in as president and chairman of the Export-Import Bank of the United States, a day after the Senate confirmed her and two other members of EXIM's Board of Directors, Spencer Bachus III and Judith D. Pryor. This restored the quorum on EXIM's Board of Directors after nearly four years, during which time EXIM was not fully operational.

## Board of Directors and Advisory Committee Status

June 2020

### Board of Directors

**The Honorable Kimberly A. Reed**  
Chairman and President

**The Honorable Spencer Bachus III**  
Member of the Board of Directors

**The Honorable Judith D. Pryor**  
Member of the Board of Directors

**The Honorable Wilbur L. Ross, Jr.**  
U.S. Secretary of Commerce,  
Board Member, ex officio

**The Honorable Robert E. Lighthizer**  
U.S. Trade Representative,  
Board Member, ex officio

## Advisory Committee Status

Section 3(d)(4) of EXIM's Charter requires EXIM's Advisory Committee to submit comments on the findings of the Competitiveness Report to Congress.<sup>4</sup> In July 2019, EXIM's Board of Directors appointed the 2019 Advisory Committee, as well as the 2019 Sub-Saharan Africa Advisory Committee. Both committees held their first meetings on September 11, 2019. The following pages contain the statement of the 2019 Advisory Committee on the Competitiveness Report.

---

<sup>4</sup> 12 U.S.C. § 635a(d)(4)

---

# EXIM 2019-2020 Advisory Committee Statement on the EXIM Competitiveness Report



*EXIM 2019-2020 Advisory Committee members present at first meeting on September 11, 2019. Front row, left to right: Alejandro Sanchez, Joanne Young, Advisory Committee Chairman Stevan Pearce, Maria Cino, and Richard Powell. Back row, left to right: Thomas Raguso, Richard Rogovin, Chris Smith, Gary Black, Larry Goodman, Rodney Ferguson, Robert Dinerstein, and Harvey Tettlebaum.*

**To: Members of the United States Congress**

**From: EXIM Advisory Committee**

We have carefully reviewed the findings of the agency's Competitiveness Report for the calendar year of 2019. Overall, we believe the United States' re-opened export credit agency is off to a promising start in its historic seven-year reauthorization under the able leadership of President and Chairman Kimberly A. Reed, and that following its relative hiatus from 2015 to 2019 due to lack of a quorum it has returned to empowering U.S. exporters toward the goal of reaching effective competition in a difficult global marketplace. We must also emphasize, however, that the unlevel playing field facing American businesses wishing to participate in markets abroad is both an economic and a national security concern, and that a strategy of a robust, sustained response consistent with EXIM's public policies directed at supporting current and future U.S. jobs, including those in the technology sector, is urgently needed.

Key Points:

- U.S. exporters and major international lenders found EXIM's policies and processes to be generally uncompetitive.
- China's position as the world's largest ECA is a national security threat.
- ECAs in Europe and elsewhere actively courted U.S. exporters to fill the void left by EXIM during the quorum lapse.

- EXIM must continue its efforts to support U.S. small and medium-sized business, many of which form parts of the critical supply chains of larger U.S. exporters.
- We applaud EXIM for implementing six critical, transformational reforms.

First of all, we accept the accuracy of the 2019 report as regards the state of the export finance market. EXIM staff are to be applauded for consistently producing an annual survey of the world of export credit finance that is unrivaled in scope and insight thanks to the information they utilize and the expertise they bring to bear. EXIM's Report this year is no exception to that level of reportorial excellence. The Report is of astonishingly high quality at a time when U.S. export competitiveness is a vital national priority.

But it is the very accuracy of the picture this Report presents that is so alarming in terms of what American exporters face.

It is clear that EXIM's rival export credit agencies in the world, especially China's, are now far more aggressive in assisting their nations' exporters, often with the determined objective of fulfilling their governments' geopolitical aspirations – more often than not at variance with American interests. The catalyst for other countries' intensified efforts is China, with its two official export credit agencies, supplemented by other government entities that provide additional export and trade-related finance.

In 2019, Chinese medium and long-term (MLT) export credit financing was believed to have exceeded \$33.5 billion (a portion of China's \$76 billion in official export and trade-related finance), dwarfing EXIM's \$5.3 billion in MLT export credits (i.e. those with a maturity date of between two and 7 years or exceeding 7 years).

The Department of Defense, in its annual assessment of the military threat China poses, has warned of its economic activities operating in service to its plans for global dominance. China's "Belt and Road Initiative" (BRI) "will probably drive military overseas basing through a perceived need to provide security for" BRI projects, the Pentagon has stated.<sup>5</sup> DOD further warns that "worldwide expansion of Chinese-made equipment in 5G networks will challenge the security and resiliency of other countries' networks" because the Chinese government requires Chinese firms like Huawei to surrender information. Moreover, "China continues to execute 'Made in China 2025,' an ambitious industrial masterplan centered around 'smart manufacturing,' that aims to create a vanguard of Chinese corporations" with the intention that they will lead the world in 10 strategic high-tech industries, including information technology and robotics. Equally concerning, the Center for Strategic and International Studies (CSIS) has detailed how China has made exports of nuclear power technologies, an area where U.S. technology and exports once stood preeminent, a BRI focus, already establishing commercial ties with three countries, and running BRI programs in another 28 countries with plans for nuclear expansion.<sup>6</sup>

In light of these disturbing facts, one of the most heartening developments is EXIM's vigorous launching of its congressionally mandated new Program on China and Transformational Exports, and notably the agency's utilization of leadership borrowed from the Pentagon to manage the project. This Program will support the extension of loans, guarantees, and insurance, at rates and terms fully competitive with those of China and other competing countries, and with a goal of reserving at least \$27 billion in financing for that purpose.

The new Program on China seeks to support U.S. industries in an array of areas ranging from artificial intelligence to 5G wireless communications and its successor technologies, to clean energy, to both quantum and high-performance computing. These are industries where the U.S. has historically excelled and led globally, yet their competitiveness has been hindered by a swell in Chinese export agency credit growth.

But China is far from the only country whose export credit activities have accelerated and grown in effectiveness and sophistication. The international export credit environment has burgeoned and transformed over a tiny span of years. Official export credit providers around the globe now number 115, and this year's Competitiveness

5 [https://media.defense.gov/2019/May/02/2002127082/-1/-1/1/2019\\_CHINA\\_MILITARY\\_POWER\\_REPORT.pdf](https://media.defense.gov/2019/May/02/2002127082/-1/-1/1/2019_CHINA_MILITARY_POWER_REPORT.pdf)

6 [https://csis-prod.s3.amazonaws.com/s3fs-public/publication/200416\\_Nakano\\_NuclearEnergy\\_UPDATED%20FINAL.pdf?he0TjmygA\\_5HxCubVIZ2PGedzzQNg24v](https://csis-prod.s3.amazonaws.com/s3fs-public/publication/200416_Nakano_NuclearEnergy_UPDATED%20FINAL.pdf?he0TjmygA_5HxCubVIZ2PGedzzQNg24v)

Report details how numerous nations have adapted their ECA activities toward long-term effect, focusing more on increasing their small business suppliers' share in global supply chains and away from simply supporting individual transactions, as well as through more expansive and flexible policies.

This Report relays anecdotes from exporters about the success of the methods and practices of other countries' ECAs with whom they have dealt. These businesses tell of how:

*"Other ECAs have stepped up. All the European ECAs stepped up. They've lowered their content requirements; they've supported U.S. exporters ..."*

*"The marketing engine is so large for some of these other ECAs, that they attract borrowers, exporters, because they're really going out there ..."*

*"Foreign ECAs are very welcoming to U.S. companies like [ours] and they have taken steps to make their programs more widely available and accessible ..."*

*"Like many others, we discovered how easy it was to use these other ECAs ..."*

*"UKEF [Britain] and SACE [Italy] heavily courted us ... they told us they would take care of us."*

Furthermore, a sampling of U.S. exporters and major international lenders found that they felt some of EXIM's policies and processes were generally uncompetitive. But they also reported that other policies like the local cost initiative, where EXIM supports 30 percent of the aggregate U.S. contract value in foreign costs, "is one of the strengths of EXIM." In addition, those sampled reported that foreign ECAs' competitiveness was also directly tied to transactions that benefited jobs in their own countries. EXIM's historic seven-year reauthorization, however, passed by a bipartisan vote in Congress on December 20, 2019, marks the beginning of a new era. Now, as ongoing reforms are implemented, EXIM's leadership must make it a priority over the months and years ahead to continue to scrutinize the techniques of other countries' ECAs, looking hard at all the experiences of its foreign counterparts so that, month by month, EXIM is better equipped to compete with them. This includes conferring personally with the leaders and operatives of foreign ECAs, as well as listening to private-sector customers and other stakeholders both here and abroad.

The agency must also follow the lead of both OECD and non-OECD countries in intensifying financing support for U.S. small- and medium-sized businesses as they seek foreign markets, smaller firms being the primary generators of jobs for Americans, and often forming parts of the critical supply chains of larger U.S. exporters. The same customers who found EXIM's policies and processes insufficiently competitive found EXIM's products and expertise, by contrast, to rival those of foreign ECAs. The obstacles to reaching parity with EXIM's ECA counterparts, therefore, cannot by any means be said to be a lack of talent or expertise within this 86-year-old institution.

It must be a priority for EXIM to update its technology to a level that matches or, preferably, exceeds that utilized by other ECAs, so that the agency's data tracking, client engagement and other practices of reaching and supporting exporters are optimized. Technology aside, personal outreach and interaction with potential customers must also reach parity with or exceed the performance of EXIM's foreign rivals.

Faced with the determination of so many government-backed institutions supporting their own countries' business and domestic job interests, the situation for U.S. exporters is dire, and EXIM as an institution must think outside the box and cease any hesitation in moving forward. Throughout this agency, there must be a recognition that Congress has charged it with a mission to support U.S. jobs through exports, requiring a great deal of rethinking, a movement forward beyond business as usual and status quo institutional practices – a mission that has tremendous importance for the future economic well-being, international standing, and geopolitical security of the United States.

To counter the perception that EXIM disproportionately helps a few major exporters, Congress issued the directive that the bank significantly increase its support of small business. Nearly 90 percent of EXIM's authorizations in recent years have been devoted to small businesses. In this, as in other areas, the Advisory Committee has been diligent in seeking out the major critics of EXIM within Congress to assure that their concerns can be addressed.

We applaud EXIM for implementing the following six transformational reforms:

1. Increase transparency,
2. Strengthen taxpayer protections,
3. Improve protection for domestic companies,
4. Ensure EXIM does not "crowd out" private financing options,
5. Crack down on "bad actors," and
6. Work to reduce the reliance on ECAs globally.

We are happy to say that in the relatively short time since EXIM's re-opening, the agency has been quite responsive to the recommendations of the Advisory Committee. One example is this Report itself, which is significantly easier for the layman to read than previous editions and, in fact, tells an engrossing story of how successful ECAs operate in the often-cutthroat global marketplace. As in the past, EXIM staff have documented how foreign ECAs have expanded their activities to bring their nations' small- and medium-sized exporters into the global supply chain, at the great expense of U.S. exporters, especially American small businesses. We do feel, however, that while this Report depicts the big picture with accuracy and clarity, more connecting of the dots could have been provided regarding the implications of the gap between EXIM and other ECAs.

EXIM has already proved its ability to act swiftly, most notably lately in its effective response to the COVID-19 crisis, helping to ensure that medical supplies and equipment that are in short supply are being kept within our borders. The bank has issued waivers, deadline extensions, streamlined processing, and flexibility in EXIM's programs, including the Multi-Buyer and Single-Buyer Short-Term Insurance Program, and its Medium-Term Single-Buyer Insurance Policies for exporters or financial institutions.

The COVID-19 crisis provides another lesson regarding threats to U.S. businesses and the economy through supply chain vulnerabilities. Here, EXIM finance can help hasten the development of supply chain alternatives and reduce an over-reliance on China.

EXIM's Board of Directors unanimously backed a Bridge Financing Program to enable short-term financing of U.S. exports until private sector liquidity returns; it expanded its Pre-Export Payment Policy, relaxed its criteria and increased the guarantee level of its Supply Chain Financing Guarantee Program; and the agency expanded the eligibility of its Working Capital Guarantee Program to cover all inventory that could potentially be exported, reducing the program's fee structure, and temporarily increasing its guarantee level.

The days of the United States, through inaction, giving away hundreds of billions of dollars in business to foreign competitors must be seen as having come to a decisive and permanent end. An inspired, energetic advancement of the mission of the newly empowered Export-Import Bank of the United States will go far in making this vital objective a reality.

Sincerely,



Stevan Pearce  
Chairman  
EXIM 2020 Advisory Committee



*Seated at table facing forward, left to right: Spencer Bachus, member, Board of Directors, EXIM; Stevan Pearce, chairman of EXIM 2019 Advisory Committee; Kimberly A. Reed, president and chairman, EXIM; Daniel F. Runde, chairman, EXIM 2019 Sub-Saharan Africa Advisory Committee.*

## EXIM 2020 Advisory Committee Members

### Chairman:

#### The Honorable Stevan Pearce\*

Manager  
LFT Ltd.  
Former Member  
U.S. House of Representatives and  
New Mexico House of Representatives  
Hobbs, NM  
Representing: State Government

### Members:

#### Gary Black

Commissioner of Agriculture  
Georgia Department of Agriculture  
Atlanta, GA  
Representing: Agriculture

#### Maria Cino

Vice President, Americas and U.S. Corporate Affairs  
Hewlett Packard Enterprise  
Washington, DC  
Representing: Production

#### Robert Dinerstein

Chairman  
Veracity Worldwide  
New York, NY  
Representing: Finance

#### Rodney Ferguson

President and CEO  
Winrock International  
Arlington, VA  
Representing: Environment

#### Lawrence Goodman

President and Founder  
Center for Financial Stability  
New York, NY  
Representing: Finance

#### Owen Herrnstadt

Chief of Staff to the International President, and  
Director of Trade and Globalization Department  
International Association of Machinists and  
Aerospace Workers  
Upper Marlboro, MD  
Representing: Labor

#### Kathie Leonard\*

President/CEO  
Auburn Manufacturing, Inc.  
Mechanic Falls, ME

Representing: Textiles

#### Brad Markell

Executive Director  
AFL-CIO, Industrial Union Council  
Washington, DC  
Representing: Labor

#### Richard Powell

Executive Director  
ClearPath  
Washington, DC  
Representing: Environment

#### T.J. Raguso

Group Executive Vice President  
Director of Global Banking  
Zions Bancorporation, N.A.  
Houston, TX  
Representing: Finance

#### Richard Rogovin\*

Chairman, General Counsel  
U.S. Bridge  
Cambridge, OH  
Representing: Production

#### Alejandro Sanchez

President and CEO  
Florida Bankers Association  
Tallahassee, FL  
Representing: Finance

#### Christopher Smith\*

Executive Director  
Parity for Main Street Employers  
Washington, DC  
Representing: Commerce

#### Harvey Tettlebaum

Partner  
Husch Blackwell, LLP  
Jefferson City, MO  
Representing: Services

#### Deborah Wince-Smith

President and CEO  
Council on Competitiveness  
Washington, DC  
Representing: Commerce

#### Joanne Young

Managing Partner  
Kirstein & Young, PLLC  
Washington, DC  
Representing: Services

*\*Small Business*

---

# EXIM 2019-2020 Sub-Saharan Africa Advisory Committee



*Left to right, front row: Kusum Kavia, Daniel Runde (SAAC Chairman), Florie Lizer  
Left to right, back row: Paul Sullivan, Doug Goehring, Ejike Okpa, Matt Kavanagh, Jim O'Brien and Gary Blumenthal*

Established by Congress, the Sub-Saharan Africa Advisory Committee provides guidance and advice regarding EXIM Bank policies and programs designed to support the expansion of financing support for exports of U.S. manufactured goods and services to sub-Saharan Africa.

Committee members advise the Bank on the development and implementation of policies and programs designed to support EXIM's engagement in sub-Saharan Africa with a view to boosting American exports and bolstering U.S. jobs.

## **Meetings:**

The Sub-Saharan Africa Advisory Committee met on the following dates. Minutes of these and other Advisory Committee meetings are available on EXIM's website at <https://www.exim.gov/about/leadership/advisory-committee/transcripts>.

- June 16, 2020
- February 11, 2020
- October 21, 2019
- September 11, 2019

During these meetings, committee members discussed a wide variety of topics, and made two recommendations. The first recommendation was on how EXIM and other U.S. government agencies can work more closely together to achieve the vision of President Trump's Prosper Africa initiative. The second focused on how EXIM could invest more in the information and communications technology (ICT), healthcare, and agriculture sectors in Africa to help support U.S. jobs and boost both the U.S. and sub-Saharan African economies. These recommendations, and more information about the committee, can be found on EXIM's website at <https://www.exim.gov/about/leadership/sub-saharan-africa-advisory-committee>.

## EXIM 2020 Sub-Saharan Africa Advisory Committee Members

### Chairman:

#### **Daniel Runde**

Senior Vice President, William A. Schreyer Chair in Global Analysis, and Director, Project on Prosperity and Development  
Center for Strategic and International Studies (CSIS)  
Washington, DC

### Members:

#### **Gary Blumenthal**

President  
World Perspectives, Inc.  
Arlington, VA

#### **Douglas Goehring**

Commissioner of Agriculture  
North Dakota Department of Agriculture  
Bismarck, ND

#### **Matthew Kavanagh**

Federal Global Department Manager  
POWER Engineers  
Hailey, ID

#### **Kusum Kavia**

Co-Founder and President  
Combustion Associates, Inc.  
Corona, CA

#### **Florizelle Liser**

President and CEO  
Corporate Council on Africa  
Washington, DC

#### **James O'Brien**

Principal  
Baker & McKenzie, LLP  
Chicago, IL

#### **Ejike Okpa**

Principal  
The Okpa Co.  
Dallas, TX

#### **Matthew Stewart**

Consulting Partner; Insurance Broker  
Securitas Global Risk Solutions, LLC  
Wayne, PA

#### **Paul Sullivan**

Senior Vice President – International  
Acrow Corporation of America  
Parsippany, NJ

#### **John Works**

Director, Power & Renewable Energy  
International Development Services  
Mott MacDonald  
Arlington, VA

# Executive Summary

## Key Highlights

- In May 2019, the quorum on EXIM's Board of Directors was restored and in December 2019 EXIM received a historic seven-year reauthorization.
- In 2019, total activity provided under the rules of the OECD Arrangement totaled approximately \$76 billion – only 34 percent of total export and trade-related finance.
- The large portion of official financing provided outside the Arrangement operates without common principles, rules, or transparency. Countries can use these programs to support exporters, investors, and the wider economy on whatever terms they choose.
- China has two *official* export credit agencies and a multitude of other government institutions that provide export and trade-related finance in support of China's policy and commercial goals.
- By a conservative estimate, Chinese official export and trade-related financing totaled at least \$76 billion in 2019. An exact figure is impossible to come by, given the opacity of Chinese official financing.
- Chinese official MLT export credit support dropped for the first time since 2015, this time by approximately \$5 billion to roughly \$34 billion. China still dwarfs each of its competitors, however. For comparison, EXIM authorized \$5.3 billion in MLT export credits in 2019 during the eight months when it was active in the MLT market.
- OECD and non-OECD countries alike again turned to their trade-related programs in 2019, especially investment and untied financing, employing the latter as a way to ramp up support for small businesses.
- Foreign ECAs became increasingly proactive, innovative, and flexible to best support their exporters, while EXIM continued to be inhibited in 2019 awaiting a Board quorum and then a renewed Charter.
- EXIM's customers – U.S. exporters and major international lenders – reported that, in 2019, as they continued to engage with foreign ECAs, they found EXIM policies and processes generally uncompetitive. EXIM's products and expertise, however, were viewed as competitive among ECAs, although the breadth of EXIM's product suite is not as competitive as that which foreign ECAs offer.

In 2019, two major developments put EXIM back on the path toward more effectively fulfilling its mission to support U.S. jobs by facilitating exports. First, May 9, 2019 marked a restoration of the quorum on EXIM's Board of Directors after nearly four years lacking a quorum and, as a result, also marked EXIM's re-entry into the long-term export finance market.<sup>7</sup> Kimberly A. Reed was sworn in as president and chairman of the Export-Import Bank of the United States (EXIM or the agency), a day after the Senate confirmed her and two other members of EXIM's Board of Directors, Spencer Bachus III and Judith D. Pryor.

Second, on December 20, 2019, President Donald J. Trump signed into law (P.L. 116-94) legislation that reauthorized EXIM for a historic length of seven years. EXIM's reauthorization provided long-term certainty for U.S. businesses and workers. EXIM is working diligently to implement new provisions of the law (see Box 1).

Each year, EXIM's Competitiveness Report is submitted to the United States Congress by June 30 and covers events in the previous calendar year.<sup>8</sup> As such, this report covers 2019, including the first four months when EXIM still lacked a quorum on its Board of Directors and sat on the sidelines of the long-term (LT) official export finance market.

<sup>7</sup> From July 20, 2015 to May 8, 2019, EXIM lacked the three voting board members required to constitute a quorum on its Board of Directors. Consequently, EXIM could not take board-level actions, including approving transactions in amounts greater than \$10 million in value or with a tenor longer than seven years (with few exceptions). Following the re-establishment of the quorum, the Board voted to increase the threshold for Board approval from \$10 million to \$25 million.

<sup>8</sup> All references to 2019 are made on a calendar year basis, unless otherwise specified.

This report refines the picture that EXIM captured in the previous four reports – the official export and trade-related financing world’s evolution since 2015, as reported by U.S. exporters of all sizes, major international lenders involved in export finance, foreign government officials from ECAs and government ministries, major multinational organizations (e.g., OECD, Berne Union), and other key market participants.<sup>9</sup>

At the heart of that evolution is the continued rise of the Chinese official financing system. While China’s official MLT export and trade-related finance volumes declined over the last year, Chinese official financing in 2019 – totaling at least \$76 billion – still dwarfed that provided by any other country. This type of financing firepower enables China’s official ECAs and other financing entities to become increasingly important tools in supporting China’s strategic initiatives globally. Chinese financing remains tremendously opaque, but EXIM conducts research on Chinese financing practices and aims to shed light on such practices later in this report (see Section 1 Chapter 2).

Looking back, the picture EXIM has captured in recent years also portrays clear thematic changes that can be grouped into the following categories:

1. An increasing number of major OECD and non-OECD economies operating official financing programs outside the scope of the international rules governing official export credits, to support export promotion and trade facilitation goals alongside other goals (e.g., supporting foreign investment, overseas development). Chapter 1 explores this pattern in detail, and Chapter 2 takes a deep dive into China’s major influence on this trend, resulting in 66 percent of all official MLT export and trade-related financing being provided outside the OECD Arrangement on Officially Supported Export Credits (the Arrangement);
2. More countries taking a longer-run approach to their ECA activity by focusing on the future consequences of today’s actions (e.g., increasing small business suppliers’ share in global supply chains) rather than focusing on simply providing support for one-off transactions in the present.

Chapter 3 details Canada’s, Italy’s, and the United Kingdom’s approaches in this regard; and

3. Most major ECAs are now becoming less reactive and more aggressive, pursuing opportunities for new export sales (e.g., facilitating matchmaking between exporters and buyers), and attempting to bring forth their nation’s next exporters (e.g., through more expansive and flexible policies and mandates). Chapters 3 and 4 illuminate countries’ proactive support for small and large exporters alike.

Underlying these themes is a broad consensus across foreign governments around the globe that supporting exports and providing official export financing benefits a country’s overall economy, as evidenced by the now 115 known official export credit providers around the world. This number does not include other entities known to unofficially provide export finance, such as China Development Bank.

This report refers to the above three thematic changes throughout, following an explanatory primer on official short-, medium-, and long-term export and trade related finance in the Introduction, which describes the basics of export finance and where exactly competitiveness comes into play. Section 1 describes market trends that put the above three major changes into the context of volumes of financing in 2019, Chinese official activity, support for small businesses, and new types of innovative export finance. Section 2 describes U.S. exporters’ and lenders’ views on all of these developments, and on EXIM’s role within this larger picture. EXIM now faces these factors head-on as it engages MLT export finance in 2020, while implementing its reauthorization requirements and confronting the market challenges resulting from COVID-19. Next year’s report on 2020 developments will focus on the market’s response to COVID-19, EXIM’s actions to implement the facets of its legal requirements, and how these efforts affect EXIM’s competitiveness.

<sup>9</sup> Official export finance is a medium- or long-term financing commitment provided by an official government source that is contingent upon an export sale from that government’s country. Trade-related finance is government-backed MLT financing of trade between nations but is generally provided for purposes other than promoting exports and does not formally require a minimum amount of exports from a certain country. See Introduction for further explanation of export and trade-related financing.

## Box 1: EXIM 2019 Reauthorization and Associated New Charter Mandates

The bipartisan legislation (P.L. 116-94) passed by Congress and signed by the President on December 20, 2019 provides certainty to American businesses and workers that EXIM is fully open for business. The law gives clear direction to focus on the economic and national security challenges from China and other covered countries. Specific elements of the reauthorization include:

### Long-Term Certainty for U.S. Businesses and Workers

The law extends EXIM authorization to December 31, 2026. It includes procedures to establish a temporary Board of Directors in the event the quorum lapses.

### China and Transformational Exports Program

EXIM must establish a program with a goal of reserving 20 percent of EXIM's total financing authority of \$135 billion to compete with China by:

1. Providing financing competitive with China's financing for exports that compete directly with exports from China; or
2. Advancing America's technological leadership and innovation through financing exports in transformative industries including artificial intelligence, biotechnology, biomedical sciences, wireless communications equipment (including 5G), quantum computing, renewable energy/energy efficiency/energy storage, semiconductors and semiconductor machinery manufacturing, financial technology, water treatment and sanitation, high performance computing, and associated services.

The program may expand to permit financing on terms that compete directly with other countries if the Secretary of the Treasury concludes that those countries are not Participants to the OECD Arrangement on Officially Support Export Credits and not in substantial compliance with its financial terms and conditions, and designates such countries in a report to Congress.

### Small Business Engagement

EXIM must increase its share of export financing made available for small business to 30 percent. The law also highlights the importance of engaging businesses that are owned by women, minorities, veterans, and persons with disabilities, and small businesses in rural areas.

### Increased Focus on Renewable Energy, Energy Efficiency, and Energy Storage

EXIM must expand its promotion of renewable energy sources to include energy efficiency and energy storage. The law also requires that it be a goal of EXIM to ensure that no less than five percent of EXIM's financing authority be made available each fiscal year for the financing of renewable energy, energy efficiency (including battery electric vehicles, batteries for electric vehicles, and electric vehicle charging infrastructure), and energy storage technology exports.

### Strengthened Anti-Fraud Protections

Transactions in which the end-user, borrower, exporter, or lender has been convicted of defrauding EXIM within the previous five years must be denied, or such parties must be excluded from the transaction.

### Heightened Reporting on Financing Related to China

EXIM must report to Congress on its consultations with the State Department for loans or guarantees greater than \$25 million for which the end user, lender, or obligor is the Chinese government, or owned or controlled by the Chinese government.

# Introduction: A Primer on EXIM's Programs and Official MLT Export and Trade-related Finance

This explanatory primer describes the products EXIM offers to help America compete across the globe and details the other types of products and programs available to support competitors of U.S. exporters. This introduction presents the following subjects alongside hypothetical yet practical examples from the official export and trade-related market:

- An overview of official export credit support,
- EXIM's programs to help American companies compete globally,
- EXIM's competitiveness mandate,
- How EXIM has sought to address the unlevel playing field,
- An overview of official trade-related finance, and
- An introduction to the major provider of official export and trade-related finance – China.

## What is an Official Export Credit?

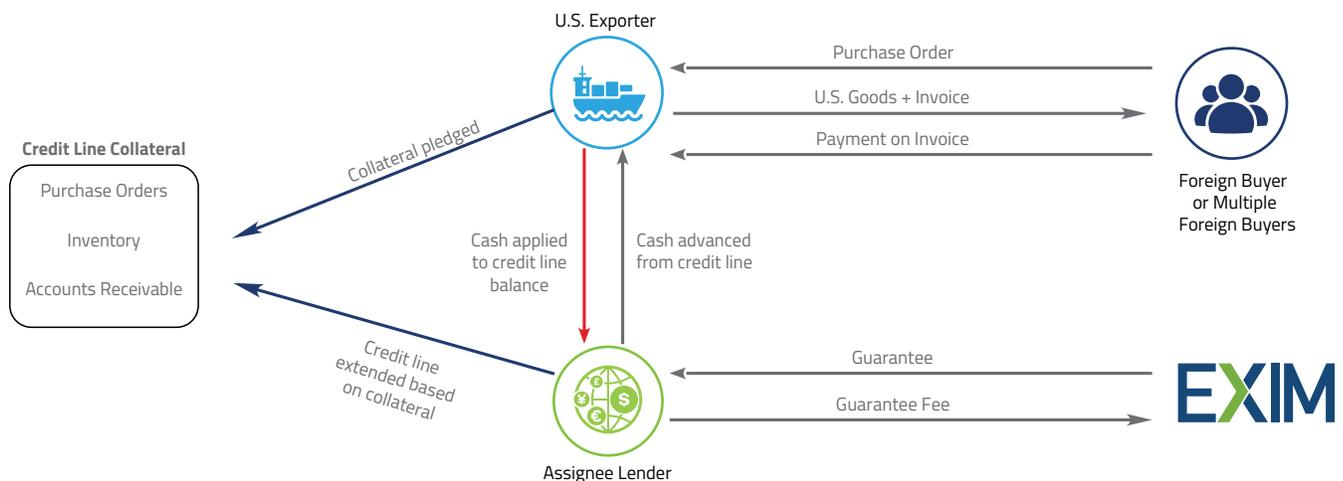
An official export credit is a financing commitment to a foreign entity that is provided or supported by an official government source, and that is aimed at facilitating the cross-border purchases of goods

or services, thereby deriving domestic economic benefits from increased exports. Official export credits are contingent upon an export sale from that government's country. In other words, they require a formal – even if minimal – amount of domestic sourcing and overseas sales.

## EXIM's Export Credit Programs: Helping American Companies Compete Globally

**Working Capital Loan Guarantee<sup>10</sup> (Figure 1):** A U.S. exporter sells goods to foreign buyers and generates accounts receivables and builds inventory. The exporter has a cash flow issue and wants a U.S. bank to provide short-term financing for working capital. The U.S. bank is not comfortable lending with only the accounts receivable and/or inventory as collateral. EXIM provides a working capital loan guarantee to the lender, which facilitates more exports from the U.S. exporter. EXIM has a delegated lender program whereby approved banks can make these loans with the EXIM guarantee, provided they fit within certain parameters.

**Figure 1: Simplified Example of an EXIM Working Capital Loan Guarantee**



<sup>10</sup> Because working capital products are provided directly to domestic recipients rather than overseas recipients, and do not affect the terms and conditions of financing offered to a foreign buyer, these products are not considered official export credits. However, in an effort to describe the suite of products EXIM offers, EXIM has included them in this introduction.

**Export Credit Insurance (Figure 2):** A U.S. exporter sells goods to foreign buyers on 60-day credit terms. The exporter is concerned about non-payment by one or more of the foreign buyers. The exporter's bank may require that the exporter's accounts receivable be insured, or they may need insurance in order to be able to offer the credit terms the foreign buyer is demanding. Through a broker, the U.S. exporter procures export credit insurance from EXIM, which covers 90 to 98 percent of the loss if the foreign buyer does not pay.

**Loan Guarantee (Figure 3):** A U.S. exporter sells equipment or services to a foreign buyer. The U.S. exporter is working with a commercial bank to provide the financing. The commercial bank is unwilling to assume the repayment risk. EXIM steps in to provide a loan guarantee to the commercial bank so that it is willing to provide the financing and thus facilitate the buyer's purchase of the U.S. equipment or services.

Figure 2: Simplified Example of an EXIM Insurance Policy

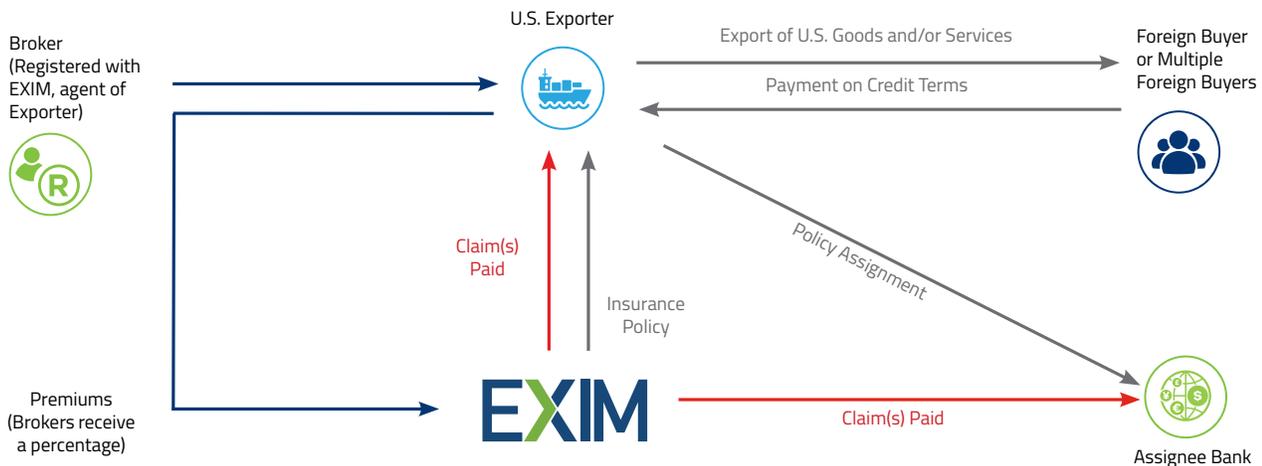
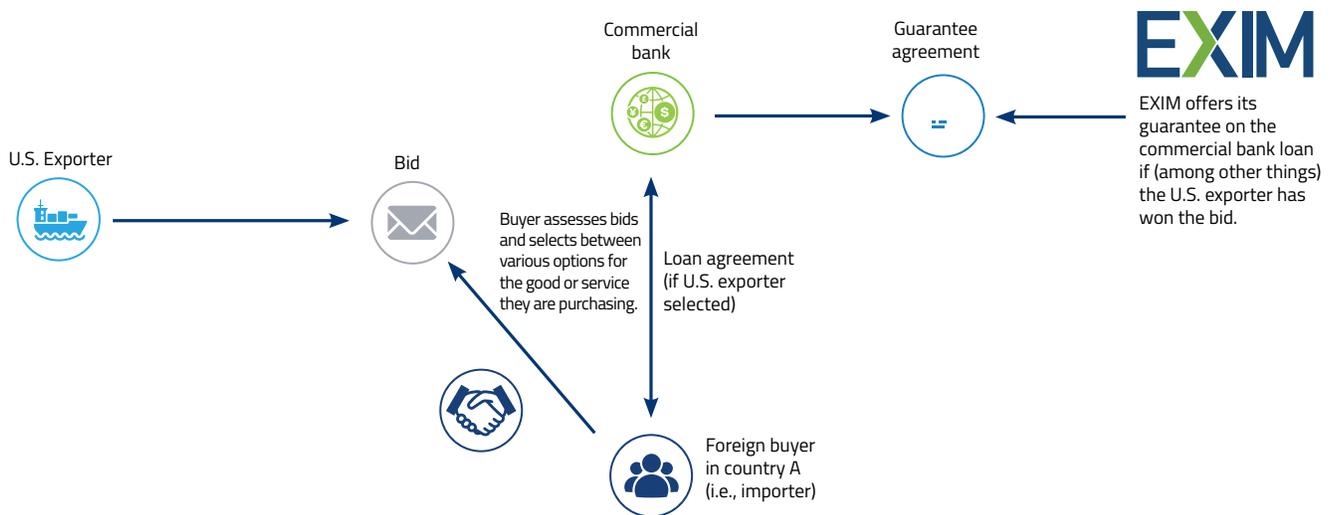


Figure 3: Simplified Example of an EXIM Loan Guarantee



**Direct Loan (Figure 4):** A U.S. exporter sells equipment or services to a foreign buyer. EXIM provides a direct loan to the foreign buyer to enable the purchase of the U.S. equipment or services.

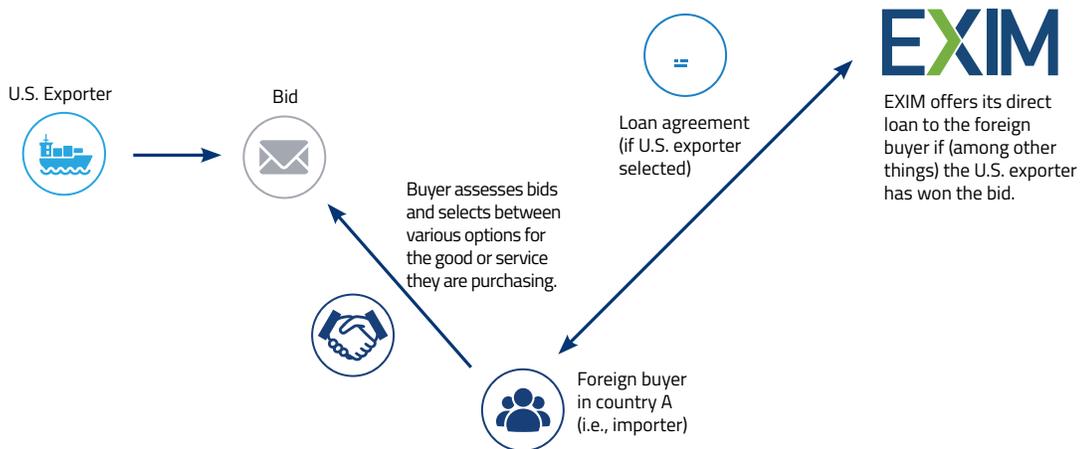
**What is Official Export Finance?**

Official export finance is an MLT financing commitment provided by an official government source that is contingent upon an export sale from that government’s country. This “standard” type of official export finance is provided after a formal – even if minimal – domestic sourcing requirement for the export sale is met.

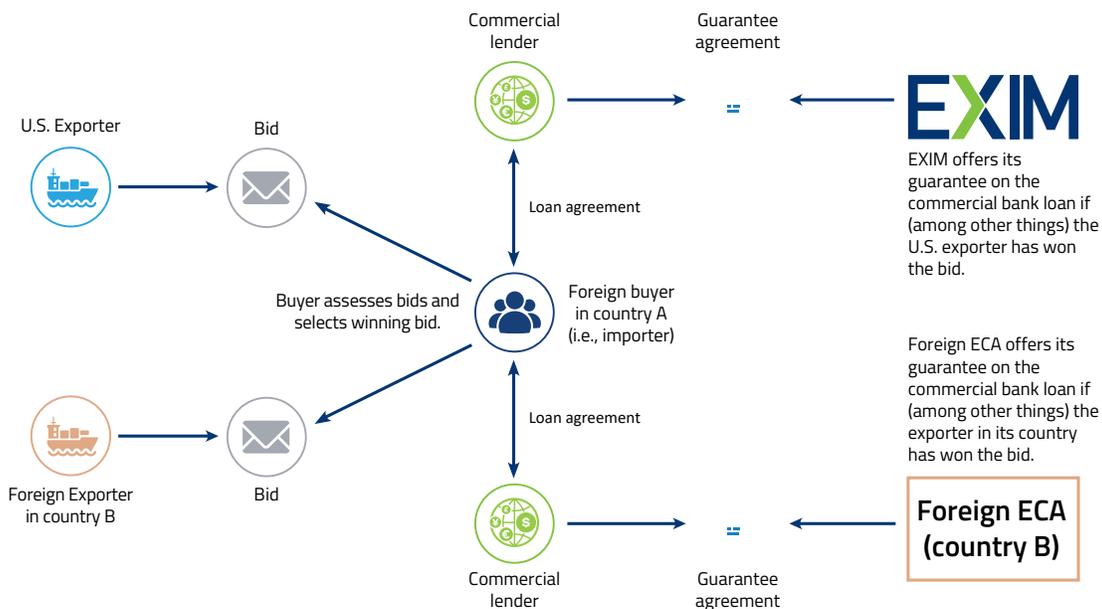
**Where Does Competitiveness Come into Play?**

Figure 5 below depicts a simplified example, where a U.S. exporter is bidding on a contract to sell its goods and/or services to a foreign buyer (i.e., an importer in a foreign country) located in country A. The U.S. exporter is competing against an exporter in a third country (country B). Ideally, the buyer would choose between the exporters’ bids based on the quality of the goods and/or services each exporter is offering, and the price at which they are offering them. However, in practice, buyers can be influenced by more than these two factors.

**Figure 4: Simplified Example of an EXIM Direct Loan**



**Figure 5: Simplified Example of ECA-backed Competing Exporter Bids**



If the foreign buyer seeks out a commercial loan to finance its purchase of these goods and/or services, the commercial bank may then apply for an EXIM guarantee to cover that loan for various reasons (e.g., risk appetite, liquidity constraints, exposure limits, etc.), as shown in Figure 5. (Note: In a scenario where there is a shortage of commercial funding, for example, the foreign buyer may apply for an EXIM direct loan.) In this example, the foreign exporter in country B is a direct competitor to the U.S. exporter, and has commercial and official financing (also in the form of a guaranteed loan) lined up. If the terms of this official export credit financing were identical, they would neutralize each other and have no impact on the buyer's purchasing decision. **This ideal scenario encapsulates what is referred to as a "level playing field." On a level playing field, exporters can compete for international sales purely on the bases of price and quality of the good or service they are selling.**

Various governments, including the United States, have provided official financing that is not tied to exports for several decades. In recent years, however, U.S. exporters and lenders have reported that 1) the sources and types of official export and trade-related financing available to an individual buyer have become more diverse and tailored to the financing needs of the borrower, with the effective cost of their financing terms varying widely, and 2) some requests for proposals (RFPs) now require exporters to demonstrate ECA financing support alongside their technical and commercial bids (see excerpt below of an RFP that a foreign buyer shared with EXIM in 2019).

One major Latin American borrower explained to EXIM in 2019 that its new procurement policy is "aligning with financing availability." Specifically, its

current procurement policy directs the company to purchase the cheapest equipment and does not take financing cost into account. The new procurement policy introduces a cost-of-financing analysis into the decision-making process that previously was not a factor used to influence procurement decisions.

The goal of the new policy is to sensitize decision-makers to the importance of considering the true cost of the goods and services, including financing costs, (i.e., equipment price— including considerations of the product's lifecycle costs – plus cost of financing, taken together) and direct sourcing changes to the best procurement package.

*"Yes, we do often attach financing proposals to pitches and in response to tenders. In some cases, an ECA-backed offer is a prerequisite for bidding. We have a strong group of corporate banks and some niche players. This, combined with our ECA network, typically allows us to secure a financing offer. As a supplier of machinery, we also frequently support our EPC [engineering, procurement, and construction] customers in the search for ECA-backed financing to support their bids, given our own network of relationships in the bank and ECA market."*  
 – Tim Gaul, global export finance director, export and agency finance, Caterpillar<sup>11</sup>

*"It's a different way of supporting exports where, since 1933, you used to have a transaction and then looked at finance. Now the focus is on the EPC and international banks to ensure they know what type of offering we can put on the table and thereby interest them in sourcing from Sweden."* – Anna-Karin Jatko, Director General, EKN<sup>12</sup>

**2. Financing Structure**

- a. Borrower: [REDACTED]
- b. Commercial loan (s) with ECA coverage.
- c. Loans and the Project and not intended to receive any form of guarantee from the [REDACTED] Government.
- d. If necessary, commercially available guarantees shall be obtained by the Applicant and included in response to this RFP.

Source: Foreign buyer

11 TXF, Keynote: Caterpillar on spreading the ECA umbrella, <https://www.txfnews.com/News/Article/6998/Keynote-Caterpillar-on-spreading-the-ECA-umbrella>

12 TXF, "Keynote: Opening up EKN's one-stop guarantees shop," <https://www.txfnews.com/News/Article/6932/Keynote-Opening-up-EKNs-one-stop-guarantees-shop>

*"Understandably, as a corporate, if your competitor can offer finance and you can't, you stand to lose the deal." – Pauli Heikkila, CEO, Finnvera<sup>13</sup>*

These two developments have increasingly resulted in a widespread belief among exporters and lenders that aspects of official export and trade-related finance (not only terms and conditions but also policies and requirements attached to this financing) regularly influence buyers' procurement decisions. These influences lead to an unlevel playing field, and such influences distort trade and market forces. In EXIM's Charter, Congress directed EXIM to provide financing to counter this influence or, in other words, to level the playing field.<sup>14</sup> This is where competitiveness of official financing comes into play.

### EXIM's Competitiveness Mandate

The influence of official financing on buyers' procurement decisions is why EXIM is statutorily mandated to provide financing "...fully competitive with Government-supported rates and terms and other conditions" offered by foreign competitors, including countries that are not Participants to the Arrangement.<sup>15</sup> The objective is to "neutralize the effect of such foreign credit on international sales competition."<sup>16</sup> EXIM's Charter also notes the agency's "primary function of expanding United States exports through fully competitive financing."<sup>17</sup>

The purpose of this report is to provide the U.S. Congress with the information required by EXIM's Charter, which directs EXIM to evaluate the competitiveness of its financing and its efforts to minimize competition in government-supported export financing.<sup>18</sup> EXIM addresses these mandates further in Appendix A. To meet its competitiveness mandate, EXIM has continuously sought to understand the terms of foreign official export finance and evaluate the impact of any differences

on sourcing. Many U.S. exporters, including some that completed EXIM's annual survey, have routinely reported that, when EXIM cannot provide financing at rates and on terms and other conditions that match or are otherwise competitive with those of other governments, buyers often make purchases from the foreign exporter that is backed by more attractive official financing, rather than the U.S. exporter. For example, one U.S. exporter criticized EXIM's cover policy in Belarus for being limited to a 7-year repayment term, saying it "Lost three gas power transactions in Belarus last year to a German competitor. The buyer requires 10-year terms... and we assume [Euler] Hermes is backing the winner with a compliant repayment period."<sup>19</sup>

One stakeholder summed up EXIM's relative competitiveness in 2019 as follows:

"EXIM needs to start leading project innovation as it once did (for example with the capital markets program [EXIM] was the first to introduce). [Today, after EXIM's five-year absence from the market] other ECAs are leading and they will not want to retreat."<sup>20</sup>

*"After the team effort over the past few years to engage with supportive ECAs around the world, we have developed programs that fit with our business and sales models. We do not plan to drop those as US Exim comes back online. We need to have as many options available as possible in order to support the diverse range of opportunities we see each day." – Tim Gaul, global export finance director, export and agency finance, Caterpillar<sup>21</sup>*

### Addressing the Unlevel Playing Field

The OECD Arrangement, created in 1978, sought to harmonize the terms and conditions of governments' export credit support, such as interest rates,

13 TXF, "Keynote: Finnvera CEO on cruising concentration risk," <https://www.txfnews.com/News/Article/6931/Keynote-Finnvera-CEO-on-cruising-concentration-risk>

14 12 U.S.C. § 635(b)(1)(B)

15 12 U.S.C. § 635(b)(1)(A)

16 12 U.S.C. §635g-1

17 12 U.S.C. § 635(b)(1)(B)

18 12 U.S.C. §635g-1

19 EXIM, "Official EXIM Competitiveness Report 2019 Exporter and Lender Survey"

20 Commercial lender, EXIM lender focus group, March 2020

21 TXF, Keynote: Caterpillar on spreading the ECA umbrella, <https://www.txfnews.com/News/Article/6998/Keynote-Caterpillar-on-spreading-the-ECA-umbrella>

repayment terms, and risk premia, so as to neutralize their impact on buyers' procurement decisions.<sup>22</sup> All of EXIM's MLT programs fall within the scope of the Arrangement and, as such, are extended on the terms of the Arrangement. Therefore, subject to its own policies, budget decisions, and U.S. law, EXIM can provide financing on the same terms and conditions provided by other members (Participants to the Arrangement or Participants) when they are operating programs within the scope of the Arrangement. For more information on the Arrangement's financing terms, see Appendix A.

*"Insofar as there is ever a level playing field, the idea is that official support does not come as an element to distinguish one offer from the other – that was the whole bottom line of the Arrangement when it was first discussed and agreed upon. It was [to] let official financing not be an element of competition among exporters, investors, EPC contractors [and to] let them compete on their own technical offers, price, etc. and let official financing be a very homogenous element that would only help those exporters carry out the business and the buyer countries finance those deals, but let it not be the element that will make one deal more competitive than the other. That's the whole philosophy behind this type of agreement. So, if we reach that, then yes, I'm sure our exporters in particular will be in a better position than they're in today because **obviously I think there is no level playing field anymore.**"— Rocio Uriarte, deputy director, Strategy and International Relations, CESCE<sup>23</sup>*

The Arrangement emerged in the mid-1970s in light of concerns that export promotion efforts used to balance trade following the OPEC-driven<sup>24</sup> oil crises would lead to a race to the bottom in terms of endless export credit subsidies. For approximately 25 years, and despite the availability of other forms of official finance the Arrangement worked exceptionally well in leveling the playing field by establishing rules on interest rates, premia, tied aid, etc., to harmonize the types of financing governments could offer for their country's exports and to direct subsidized aid toward

developmental efforts rather than commercial ones.

The Arrangement only covers official export credits, not the other types of *official trade-related finance* (described below) offered by OECD member countries nor *any export or trade-related official finance provided by non-OECD countries* (e.g., China).<sup>25</sup> Therefore, **OECD countries operating trade-related financing programs, and non-OECD countries, can offer support through these programs on unrestricted financing terms.** EXIM's customers have reported that this unrestricted support – which is outside the scope of the Arrangement rules – can offer more favorable terms and conditions than the Arrangement. As such, U.S. exporters who responded to EXIM's survey and participated in its focus groups believe that such financing has increasingly influenced buyers' procurement decisions, resulting in an unlevel playing field.

### What is Official Trade-related Finance?

Simply put, official trade-related finance is government-backed MLT financing of trade between nations, but is generally provided for purposes other than promoting exports, and does not formally require a minimum amount of exports from a certain country.<sup>26</sup> As such, it is not considered an official export credit, and therefore does not fall under the Arrangement. Nevertheless, some U.S. exporters and lenders surveyed by EXIM believe that a good deal of such financing does support domestic exports.

Since it does not fall under the Arrangement, there are no restrictions on the financing terms governments can offer through their trade-related programs. In this report, trade-related finance refers to untied, investment, market window, and development finance provided by an official government source. Similar to export credits, trade-related finance can take the form of loans, guarantees, or insurance, among other products.

Each type of trade-related finance can also be provided to many of the same types of recipients as those receiving official export credits, such as a

22 Today, the Participants to the OECD Arrangement include Australia, Canada, the European Union (including the United Kingdom), Japan, Korea, New Zealand, Norway, Switzerland, Turkey, and the United States. Brazil is a Participant to the Aircraft Understanding.

23 TXF, "TXF Global 2019: Interview with Rocio Uriarte," <https://www.youtube.com/watch?v=hRWoAGtmAbk>

24 Organization of the Petroleum Exporting Countries

25 Brazil is a Participant to the Arrangement's Aircraft Sector Understanding.

26 Trade-related finance is not to be confused with trade finance, which typically refers to short-term financing.

government entity, a corporation, or a special purpose vehicle (SPV) created for a non-recourse project finance transaction. Trade-related finance provided to these recipients serves a different purpose, however, than official export credits. Instead of primarily financing these entities' purchase of exports, official trade-related finance can be provided to:

- Finance a project involving various types of "national interests" (domestic company involvement in e.g., equity investment; off take contracts; operation and maintenance contracts; etc.)
- Support investors making overseas investments,
- Finance a project for the natural resources it will produce,
- Incentivize major manufacturers from other countries to embed SMEs into their supply chains, or
- Pursue development goals in the recipient country.

In any of these scenarios, the recipient of the financing may still purchase goods and/or services from the country providing the financing. As such, last year's report described trade-related finance as "corollary export support," which may have the indirect benefit of generating exports as a consequence of pursuing the other goals mentioned.

*All countries have their own loopholes where they're trying to get some benefits from their exporters. **You have the same framework, but outside of that, all ECAs are trying to stretch the boundaries a bit to try and provide something more beneficial than somebody else. The level playing field is a nice idea, but it doesn't work in practice. Let's speak about what the Japanese and Chinese do when they do untied financing. It's a completely different ballgame.*** – Andreas Back, senior manager, Financial Services, Wartsila<sup>27</sup>

*"Foreign ECAs are not breaking the rules, they're just bending them tremendously," – U.S. exporter<sup>28</sup>*

Figure 6 below depicts a hypothetical example, where various official institutions are offering support to an SPV sponsoring the construction and operation of a liquified natural gas (LNG) facility in a lower-income country. U.S. exporters are faced with competitors supported by one or two types of trade-related finance in a single project, but for illustrative purposes, the main types of export and trade-related finance referenced throughout this report are depicted in Figure 6. In this case, the buyer (the SPV) seeks both goods and services from abroad to develop the project and is exploring both debt financing and equity investment. Exporters and investors from around the globe are interested in the project and want to offer a competitive package. Buyers also often consider financing that competes with EXIM's. Any of the export or trade-related support can come as a competing offer to EXIM's support for a U.S. exporter. In such a scenario as depicted in Figure 6, the buyer faces a choice between:

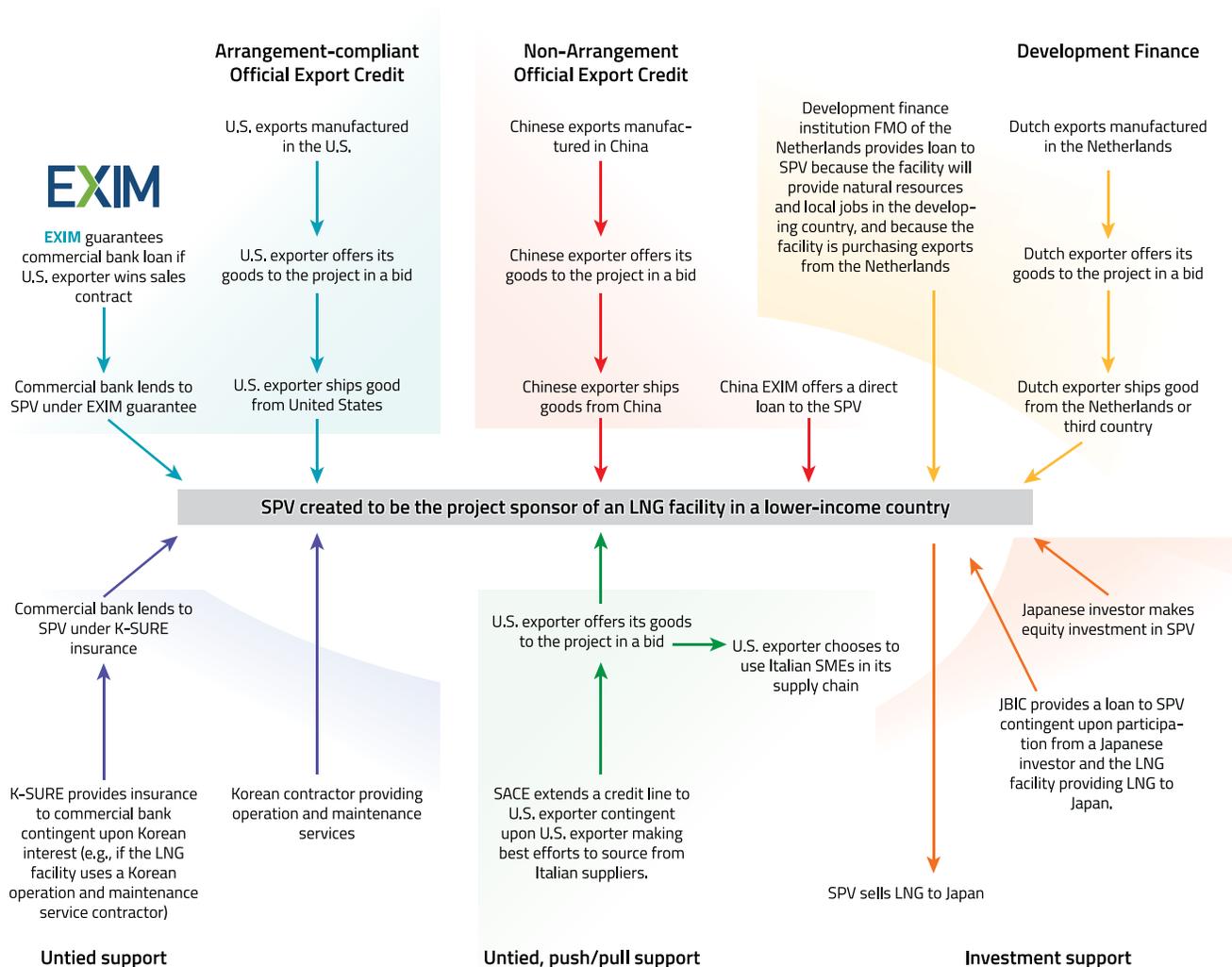
- The U.S. exporter being supported by official export credit support,
- The Korean operation and maintenance contractor being supported by untied support,
- The U.S. exporter using Italian-manufactured parts supported by an untied push loan (discussed further in Chapter 3),
- The Dutch exporter supported by development finance,
- The Japanese investor supported by investment support, or
- The Chinese exporter supported by non-Arrangement official export credit support.

Of these, only the first form of financing (EXIM's official export credit support, shown in blue) falls within the scope of the Arrangement. Others, such as untied support, may involve home country procurement (e.g., Korean operation and maintenance (O&M) contractors or Italian suppliers). However, in the case of K-SURE's untied program and SACE's "Push Strategy," the untied insurance and untied funding, respectively, is not insuring or financing the

27 TXF, "Keynote: Wartsila's Back on the future of financing flexible power, rain or shine," <https://www.txfnews.com/News/Article/6913/Keynote-Wartsilas-Back-on-the-future-of-financing-flexible-power-rain-or-shine>

28 U.S. exporter, EXIM exporter focus group, March 2020

Figure 6: Illustrative Example of Official Export and Trade-Related Financing Available



specific export sale (e.g., the O&M contract or the supply contract).<sup>29</sup> Therefore, while the financing and the exports may be provided to the same buyer, the financing is not “tied” directly to the procurement contract and therefore it is not considered an official export credit. As for investment support, according to JBIC, the purpose of its Overseas Investment Loan product is “to support overseas investment projects undertaken by Japanese companies” and it requires equity participation of Japanese investor(s)

or operation and/or maintenance of the project by Japanese investor(s).<sup>30,31</sup> While it’s possible for the buyer to purchase Japanese exports, JBIC’s investment financing is not necessarily used to finance Japanese exports, so it is not considered an official export credit.

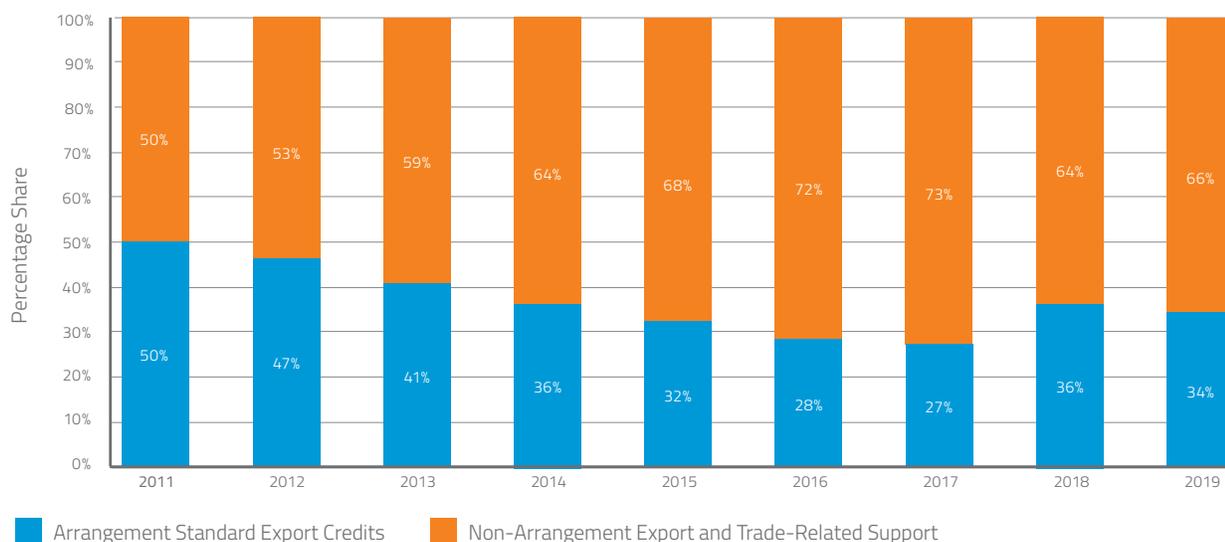
Under the Arrangement, EXIM’s support for this hypothetical case is limited to a 14-year repayment term. All of the other types of export- and trade-

29 K-SURE, “Overseas Business Credit Insurance,” [https://www.ksure.or.kr/en/product/product\\_02\\_05.do](https://www.ksure.or.kr/en/product/product_02_05.do)

30 Securities and Exchange Commission, “Japan Bank for International Cooperation Exhibit 1” <https://www.sec.gov/Archives/edgar/data/1551322/000119312517276051/d409206dex991.htm>

31 World Bank, “Introduction of JBIC and its Financing for the Railway Projects,” <http://pubdocs.worldbank.org/en/858151486603954225/20170209-Introduction-of-JBIC-and-its-Financing-for-the-Railway-Projects.pdf>

**Figure 7: Arrangement Standard Export Credits vs. non-Arrangement Export and Trade-related Support (2011-2019)**



Sources: EXIM, bilateral engagement, Berne Union, annual reports

related finance, however, are not restricted in the repayment term they can offer. This is also the case for the minimum interest rate, minimum risk premium, minimum down payment, etc. Naturally, a longer repayment term and a lower interest rate, risk premium, or down payment are more attractive, and U.S. exporters have reported that other countries' ability to provide these terms often provides an advantage to their exporters.

The Arrangement's scope is limited to official export credits, described above. For more than 25 years, most official export finance fell under the Arrangement's auspices, and its rules were regularly updated to reflect changes in the market.

Participating countries felt that this gentlemen's agreement (not legally binding) served its purpose: to level the playing field. The volume of various types of official trade-related finance provided outside the Arrangement (shown in Figure 6), however, has grown. The largest growth, and the most influential

official finance system, is China's. In the early 2000s, the Chinese export credit system truly entered the market and, around 2005, Chinese official export and trade-related activity began surpassing an estimated \$10 billion annually.<sup>32</sup> In the decade that followed, Chinese official support rose rapidly, reaching a peak of an estimated \$88 billion in 2016.<sup>33</sup> This dramatic growth of activity by a major non-OECD country, paired with less of Participants' activity falling under the OECD Arrangement, resulted in official financing within the the Arrangement's scope decreasing significantly, from almost 100 percent in 1999 to a low of approximately 27 percent in 2017, as shown in Figure 7 and discussed later in Section 1.<sup>34,35</sup>

### Conclusion and Methodological Note

Congress mandates that EXIM provide U.S. exporters with financing terms and conditions "fully competitive" with, and that "neutralize," those that foreign governments provide for their exporters.<sup>36</sup> Historically, and when fully operational, EXIM was generally able to meet this mandate, when compared

32 EXIM, "Report to the U.S. Congress on Global Export Competition, June 2006," <https://www.exim.gov/sites/default/files/newsreleases/2005CompetitivenessReport-1.pdf>

33 See methodological note below regarding EXIM data collection.

34 EXIM, "Report to the U.S. Congress on Global Export Competition, June 30, 2015" [https://www.exim.gov/sites/default/files/reports/EXIM%202014CompetReport\\_0611.pdf](https://www.exim.gov/sites/default/files/reports/EXIM%202014CompetReport_0611.pdf)

35 EXIM, "Report to the U.S. Congress on Global Export Competition, June 2018," [https://www.exim.gov/sites/default/files/reports/competitiveness\\_reports/2017/REVISED\\_EXIM-CompetitivenessReport\\_508C.pdf](https://www.exim.gov/sites/default/files/reports/competitiveness_reports/2017/REVISED_EXIM-CompetitivenessReport_508C.pdf)

36 12 U.S.C. § 635(b)(1)(B)

to other financing under the Arrangement.<sup>37</sup> Over the past decade, however, the diversity in aspects of official financing not covered by the Arrangement (e.g., content policies) widened dramatically, and the volume of official sources not covered by the Arrangement increased significantly. Within the broader official finance market, EXIM faces considerable challenges facilitating a level playing field. Accordingly, this report has widened its purview to include even better information and insight on this broader official financing world.

Congress has also mandated that, in this report, EXIM “use all available information to estimate the annual amount of export financing available from each such government and government-related agency.”<sup>38</sup> While Congress has not defined “export finance” for the purposes of this mandate, EXIM considers any official support that finances an export, even if it’s untied, to be within this guidance. Hence, EXIM drew on a variety of sources to provide a comprehensive picture of the market conditions and competition U.S. exporters face. EXIM collected data bilaterally from other ECAs and supplemented this with information collected through international forums. EXIM also included data from public sources, such as ECAs’ websites and annual reports. Additionally, the agency performed substantial outreach to foreign ECAs, exporters, lenders, and other stakeholders to help clarify differences in data and further explain topics of interest to provide a more complete understanding of the scope and scale of foreign export and trade-related support. EXIM would not be able to put together the Competitiveness Report without the gracious assistance of its foreign ECA colleagues. EXIM appreciates the time spent responding to its many inquiries and data requests.

## Box 2: Short-term Programs

The Competitiveness Report does not focus on short-term (ST) programs because the major economies of the world differ markedly in their use of official ECA support in short-term financing programs. Specifically, some countries (primarily the members of the European Union) legally prohibit their ECAs from providing short-term support to “marketable risks” because of the breadth and depth of private short-term trade credit providers. Others (specifically in Asia) expect their ECAs to be the main providers of short-term trade credit support for all exports because there are few (if any) private providers in the Asian markets. Unlike the European ECAs, EXIM does provide short-term support during normal economic conditions.

Nevertheless, recent years have seen an increased focus of ECA support for small businesses, typically in the form of working capital and supply chain programs and, in 2020, ECAs bolstered their ST support in view of the COVID-19-driven market downturn. EXIM will continue to monitor trends in ST trade finance provided by foreign ECAs. While EXIM does not yet have data on new short-term programs, Figure 8 shows some historical activity for standard short-term insurance programs.

**Figure 8: G-12 Short-Term Export Credit Volumes (Billions USD)**

ECA (Country)	2018	2019
SINOSURE (China)*	481.40	481.40
K-SURE (Korea)	121.99	120.25
EDC (Canada)	43.64	44.27
NEXI (Japan)*	49.84	49.84
ECGC (India)*	30.90	30.90
EXIAR (Russia)	15.43	16.63
EULER HERMES (Germany)	11.06	11.10
U.S. EXIM (United States)	2.39	2.02
SACE (Italy)	1.05	1.14
UKEF (United Kingdom)	0.05	0.02
ABGF (Brazil)*	0.00	0.00
BPIFRANCE (France)	0.00	0.00

Sources: EXIM, bilateral engagement

\*Note: For countries which data was unavailable at the time of publication, 2019 volumes have been estimated to be consistent with 2018 volumes.

37 Further details comparing the competitiveness of the terms and conditions of EXIM's financing, as required by law for this report at 12 U.S.C. § 635g-1, is discussed in Appendix A.

38 12 U.S.C. § 635g-1(a)(1)

# Section 1

---

## Trends in Official MLT Export and Trade-related Activity

Trends explored in this section include:

- Countries' use of official export finance and official trade-related finance to support their export promotion and trade facilitation goals across the globe (Chapter 1),
- A heightened focus on Chinese export and trade-related programs (Chapter 2),
- ECAs' increased focus on support for small businesses competing in the MLT market (Chapter 3), and
- ECAs' continually evolving approach in the form of innovative export finance solutions (Chapter 4).



# OECD and Non-OECD Official MLT Export and Trade-related Activity in 2019

In examining the full range of official MLT export and trade-related support available in 2019, the data highlights a few key trends covered in this Chapter.

- In 2019, official export credit volumes were down from 2018 volumes. For a number of countries, however, trade-related support increased in 2019. These opposing trends resulted in official MLT export and trade-related finance slightly up in 2019 at approximately \$223 billion (compared to \$217 billion in 2018).
- In 2019, activity provided under the rules of the OECD Arrangement totaled approximately \$76 billion – only 34 percent of total official MLT export and trade-related finance provided globally.
- Chinese official export credit support dropped for the first time since 2015, this time by approximately \$5 billion to roughly \$34 billion. This contributed to the first decrease in BRICS countries' activity since 2015.
- OECD and non-OECD countries alike again turned to their trade-related programs in 2019, especially investment and untied financing, although this followed two years of declines that left 2019 trade-related financing lower than 2016's recent high.

### Introduction

As with last year's Competitiveness Report, which described the full range of official MLT export and trade-related support available in 2018, this section provides an overview of the volume and types of non-concessional official financing employed

by governments in 2019 to pursue their export promotion, trade facilitation, development, and other goals.<sup>39</sup>

In practical terms, this combination of both export and trade-related support represents the amount of official MLT financing that could support competitors of U.S. businesses. Accordingly, in order to attempt to measure more accurately the marketplace in which U.S. exporters operate and more appropriately assess EXIM's competitiveness, this chapter will measure not only officially supported export credit activity but also officially supported investment, untied, market window, and development finance activity.

### Overview

In 2019, total official export credit volumes were down from 2018. As reported last year, 2018 was a banner year for a number of ECAs, so the slight decline in activity in 2019 was not altogether surprising. For a number of countries, however, trade-related support increased in 2019. These opposing trends resulted in combined official MLT export and trade-related finance hovering at 2018 volumes, approximately \$223 billion.<sup>40</sup>

### OECD Arrangement Tied MLT Export Credit Activity

In 2018, total activity under the OECD Arrangement ended a five-year decline in volume. OECD Arrangement export credits had been declining consistently from their Global Financial Crisis-driven peak of \$129 billion in 2012 to \$58 billion in 2017. Activity in 2018 marked a one-year rebound, however, with Arrangement activity up approximately 33

<sup>39</sup> All data in this report refers to medium- and long-term finance unless otherwise specified.

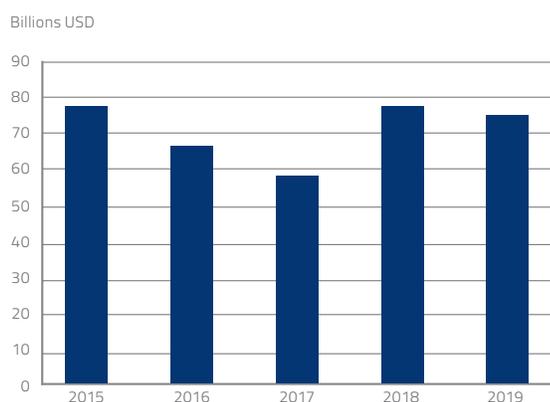
<sup>40</sup> See Methodological Note in the Introduction for a description of EXIM's data collection activities.

percent to \$78 billion, which dipped only slightly in 2019 to total approximately \$76 billion, as shown in Figure 9.<sup>41</sup>

Similar to 2018, the leaders in OECD official export credit activity in 2019 were Italy (SACE) and Germany (Euler Hermes), whose activity declined slightly from \$12.4 billion to \$11.1 billion, and \$12 billion to \$10.5 billion, respectively. Korea’s (KEXIM and K-SURE) also declined (but significantly more than Italy’s or Germany’s) from \$10.6 billion to \$5.8 billion in 2019. In contrast, the United Kingdom (UKEF) saw a significant increase in activity, with UKEF support increasing by approximately 180 percent from \$2.4 billion to \$6.6 billion in 2019, resulting in UKEF providing the third-highest volume of Arrangement-regulated export credits. This placed the United Kingdom, perhaps reacting to a post-Brexit reality, among the top OECD countries providing official export credits, following top-ranked Italy and second-ranked Germany, and closely followed by France (\$6.2 billion). See map of official MLT export credit providers on page 36.<sup>42</sup>

EXIM’s MLT activity rebounded dramatically after the May 2019 restoration of a quorum on its Board of Directors, which allowed EXIM to authorize its first LT financing in almost four years. The vast majority of this rebound in EXIM’s MLT activity came from a \$5 billion direct loan to the Mozambique LNG project. This major increase in EXIM’s activity placed EXIM just behind Korea as the sixth largest provider of official export credit support under the Arrangement.

**Figure 9: OECD Arrangement MLT Export Credits Provided by OECD Participants**



Sources: EXIM, bilateral engagement, Berne Union

41 Ibid.

42 Ibid.

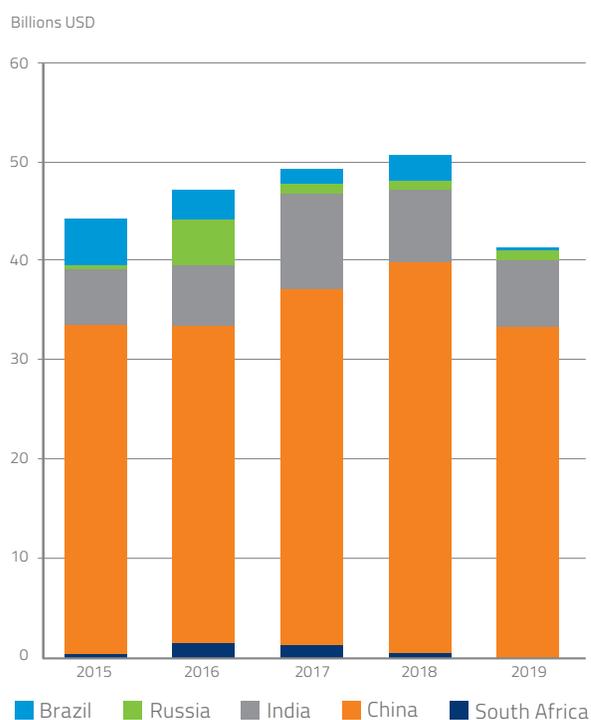
43 India’s MLT activity includes ECGC’s activity as reported bilaterally and an estimate of the Export-Import Bank of India’s activity based on specific loans and projects referenced in their published materials.

44 See Methodological Note in the Introduction for a description of EXIM’s data collection activities.

## Major Non-OECD (i.e., BRICS Countries) Tied MLT Export Credit Activity

In 2019, China and India were the primary providers of official MLT export credits from the BRICS (Brazil, Russia, India, China, South Africa) countries. China, India, and Brazil, however, all experienced downturns in official export credit activity in 2019 (approximately 20 percent, 10 percent, and 90 percent, respectively). (Note: In 2019, Brazil’s official export credit system effectively shut down, as a major reform and restructuring took place.) Russia’s and South Africa’s volumes were roughly flat, as shown in Figure 10.<sup>43</sup> Chinese official export credit support dropped for the first time since 2015, this time by approximately \$5 billion to roughly \$34 billion. For more information on Chinese official financing practices, see Chapter 2. Based on these trends, 2019 ended the BRICS countries’ increase in activity since 2015.<sup>44</sup>

**Figure 10: BRICS Official MLT Export Credit Activity**



Sources: EXIM, bilateral engagement, annual reports, Berne Union

Given the downturn in “standard” export credit support from OECD and BRICS countries alike in 2019, official MLT export credit activity from major providers across the globe reached approximately \$117 billion in 2019 – in all, a year-on-year decrease of about 10 percent.<sup>45</sup>

### Trade-related Activity Not Covered by the Arrangement

As discussed in the Introduction, trade-related programs (i.e., investment, market window, untied, and development finance institution (DFI) activity) fall outside the scope of the Arrangement rules and are provided by both OECD and non-OECD members.

### Investment Support

In an investment financing program, an official government entity such as an ECA provides support to an investor (usually from that government’s country) with an equity stake in a company or project overseas. This typically occurs in one of two forms: political-risk insurance provided to an investor’s cross border equity investment, or debt financing provided to an investor to use for a cross-border investment. Global official financing support for foreign investment is a tale of a world divided. The major Asian countries (China, Japan, and Korea) operate economies built around national champions and have, for various reasons, made strategic decisions to support the global expansion of these champions actively and heavily, beyond just export sales and extending to their foreign investment.

Accordingly, with total official investment financing support in 2019 fairly stable (up only about 3 percent from 2018, after declining year-on-year over the 2016 to 2018 period), Asian ECAs account for roughly 80 percent of the investment activity worldwide. China’s investment support remained the highest (almost flat at around \$23 billion), but Japan’s rose slightly to \$19 billion. Korea’s, which had been increasing since 2015,

decreased by approximately 27 percent. Still, at nearly \$7.5 billion, it was roughly double Germany’s \$3.7 billion.<sup>46</sup>

### Untied Support

Untied official financing is generally provided to support “national interests” and thus requires some national interest components (domestic company involvement in, for example, equity investment; off take contracts; operation and maintenance contracts) rather than exports. This does not mean, however, that host country exports are not supported by such financing – only that there is no formal requirement for a minimum amount of domestic content that must be purchased with the financing provided. For example, a steadily increasing number of ECAs attempt to use untied programs to incentivize major companies to move their supply chain to their country to support future procurement rather than current export sales. Given the diverging approaches in using untied financing, its competitive implications vary widely.

Untied programs, such as “push” and “pull” programs, have become an increasing focus of some ECAs’ strategic efforts (discussed further in Chapter 3). Canada’s longstanding “pull” program held steady in 2019 at approximately \$4.7 billion, while Italy’s “Push Strategy” decreased to just under \$700 million in 2019 after its introduction in 2018.<sup>47</sup> Asian countries, however, showed a dramatic increase in untied activity in 2019. Korea’s untied activity spiked to its highest level in recent years, increasing a whopping 1,100 percent from around \$425 million in 2018 to over \$5 billion in 2019 due to large projects in the oil and gas sector (mostly in the Middle East) and the infrastructure sector (mostly in Europe). Japan’s untied activity has been on the rise over the last couple of years and increased from approximately \$1.1 billion to \$2 billion, in 2019.<sup>48</sup>

<sup>45</sup> Ibid.

<sup>46</sup> Ibid.

<sup>47</sup> In push/pull programs, countries aim to “push” or “pull” future sourcing towards their country by offering major multinational manufacturers financing based on that company’s commitment and future efforts to source its supply chain from the country providing the financing. Unlike other forms of export and trade-related finance, these push/pull programs are not provided for a single project or contract. These programs instead aim to support the typically smaller companies that feed major companies’ supply chains, to generate economic growth at home in the long-term. Some ECAs provide these incentives on a “best efforts” basis. Data is not available on the success of these programs given there are no transparency provisions for trade-related financing, including untied financing, that falls outside the scope of the Arrangement.

<sup>48</sup> See Methodological Note in the Introduction for a description of EXIM’s data collection activities.

According to EXIM's exporter and lender survey (see Section 2), EXIM's customers reported facing regular competition from these countries' untied programs in 2019, and reported "loss of US sales," and described untied products as a "very powerful mean[s] to sell the 'national interest' concept."<sup>49</sup>

***"Untied financing programs can often be key in getting large capital projects done because agencies are able to more or less give the project the financing that it needs, not just the financing that it qualifies for. In many cases, this can result in projects benefiting from significantly larger loans that would have otherwise been unavailable under the traditional OECD Buyer's Credit approach." – Survey Respondent<sup>50</sup>***

***"We moved production to take advantage of these ECAs [offering untied financing]." – Survey Respondent<sup>51</sup>***

## Market Windows

In a market window program, an ECA offers pricing matching the commercial market. A market window does not necessarily result in lower financing costs compared with financing provided under the Arrangement. However, market windows allow ECAs to have more flexibility on tenor, down payments, and risk fees because these programs are not covered by the Arrangement. EXIM's Charter places a special focus on market window programs and mandates that this report cover them.<sup>52</sup> As such, EXIM has continued to monitor market window activity of OECD ECAs despite increasing difficulty defining many of the new programs. Competitiveness Reports over the past several years have included only Canada's (EDC) market-window program, which in 2019 remained at around \$1.3 billion. In early 2020, EXIM became aware of a market-window program operated by Belgium (Credendo). Accordingly, EXIM included this program in its data. In both 2018 and 2019, Credendo's market-

window support totaled approximately \$2.8 billion annually – more than double EDC's volume in those years.<sup>53</sup>

## Development Finance

Development finance, provided by bilateral DFIs, encourages private sector entities to do business in foreign developing markets for developmental purposes. While development finance is untied, many DFIs have "national interest" mandates or related initiatives aimed at supporting domestic exporters.<sup>54</sup> In last year's report, EXIM outlined the changes in development finance activity over the past decade, including some European DFIs now providing tied export finance to support their countries' exporters.<sup>55</sup> Note that although 2019 European DFI commitment data was unavailable at the time of publication, the Association of European Development Finance Institutions reported that "Investments by the European DFIs have become increasingly significant by size and relevance over the past decade. The combined European DFIs portfolio of committed investments was €46 billion in 6,380 investments at the end of 2019. This represents an increase of €4.7 billion (10%), compared to 2018."<sup>56</sup> In any case, it should be highlighted that the United States' DFI, the U.S. International Development Finance Corporation (DFC), continues to provide development finance only of an untied nature.

While EXIM has been unable to identify development finance programs or data for the Asian bilateral DFIs, EXIM has observed some recent trends in the region. EXIM's 2018 Competitiveness Report highlighted European DFI financing provided for their domestic exports or, in other words, moving towards the ECA space. In contrast, one of Japan's major ECAs (its direct lending ECA, JBIC, historically a major player in the ECA world), now seems to be moving in the opposite direction. For example, JBIC has become involved in initiatives dominated by DFIs, such as the

49 EXIM, "Official EXIM Competitiveness Report 2019 Exporter and Lender Survey"

50 Ibid.

51 Ibid.

52 12 U.S.C. § 635g-1(a)(1) "In this part of the report, the Bank shall include a survey of all other major export-financing facilities available from other governments and government-related agencies through which foreign exporters compete with United States exporters (including through use of market windows...)"

53 See Methodological Note in the Introduction for a description of EXIM's data collection activities.

54 EXIM, "Report to the U.S. Congress on Global Export Credit Competition, June 2019," [https://www.exim.gov/sites/default/files/reports/competitiveness\\_reports/2019/EXIM2019CompetitivenessReport-final.pdf](https://www.exim.gov/sites/default/files/reports/competitiveness_reports/2019/EXIM2019CompetitivenessReport-final.pdf)

55 Ibid.

56 EDFI, "Facts & Figures," <https://www.edfi.eu/members/facts-figures/>

2X Challenge.<sup>57</sup> It is the only ECA participating in the 2X Challenge, an initiative described on JBIC's website as an initiative among G7 DFIs.<sup>58</sup> JBIC notes that "[its] participation in this project creates possibilities for further cooperation with DFIs of the G7."<sup>59</sup> JBIC began such cooperation by signing memorandums of understanding with various regional and multilateral development banks, as well as bilateral DFIs such as China Development Bank (CDB) and the United States' Overseas Private Investment Corporation (OPIC, now DFC), over the 2018-2019 period.<sup>60,61</sup> Finally, in 2019, JBIC entered into an agreement for additional investment in the Japan ASEAN Women Empowerment Fund alongside Sumitomo Life Insurance Company and other Japanese institutional investors – a standard transaction for many major bilateral DFIs (but not ECAs) worldwide.<sup>62</sup> Such efforts have led to researchers at the Center for Global Development (CGD) to name JBIC a "hybrid DFI," and mentioning its status as an ECA almost as an afterthought.<sup>63</sup> Some U.S. exporters have recently reported that this "hybrid" status allows JBIC to be more flexible in the financing terms it offers.

CDB has been labeled China's DFI. Moreover, it prides itself as being "the world's largest development finance institution, and the largest Chinese bank for financing cooperation, long-term lending and bond issuance."<sup>64</sup> CDB operates programs focused on economic development within China. As described further in Chapter 2, CDB is one of the Chinese government's policy banks, charged with supporting Chinese policy objectives. CDB supports China's foreign policy by also financing overseas projects, including projects under the Belt and Road Initiative (BRI). In doing so, CDB finances exports from its home country, like some European DFIs (as mentioned above), and lists buyer's credits and other export products on its website as available products and services.<sup>65</sup> Its website also says it focuses on strategically important sectors such as the nuclear power sector, indicating China's use of development finance to further its own commercial and strategic goals.<sup>66</sup> The CGD has included CDB in its DFI Dashboard, noting "We included CDB, AIIB, and JBIC despite significant data gaps to increase the geographic diversity of the dashboard and, in the case of CDB specifically, because of the growing importance of China in the development financing landscape."<sup>67</sup>

57 The "2X Challenge" calls for the G7 and other DFIs to join together to collectively mobilize \$3 billion in commitments that provide women in developing country markets with improved access to leadership opportunities, quality employment, finance, enterprise support and products and services that enhance economic participation and access. 2X Challenge, "What is the 2X Challenge?" <https://www.2xchallenge.org/>

58 JBIC, "Participation in the G7 2X Challenge: Financing for Women," <https://www.jbic.go.jp/en/information/press/press-2018/0611-011103.html>

59 Ibid.

60 JBIC, "JBIC Signs MOU with China Development Bank," <https://www.jbic.go.jp/en/information/press/press-2018/1026-011525.html>

61 JBIC, "JBIC signs MOU with Overseas Private Investment Corporation of the U.S., Department of Foreign Affairs and Trade, and Export Finance and Insurance Corporation of Australia," <https://www.jbic.go.jp/en/information/press/press-2018/1112-011585.html>

62 JBIC, "Additional Investment in Fund Investing in Microfinance Institutions in ASEAN Countries and others," <https://www.jbic.go.jp/en/information/press/press-2019/0906-012506.html>

63 Center for Global Development, "Special Edition USDFC Monitor: Introducing the DFI Dashboard," <https://www.cgdev.org/blog/special-edition-usdfc-monitor-introducing-dfi-dashboard>

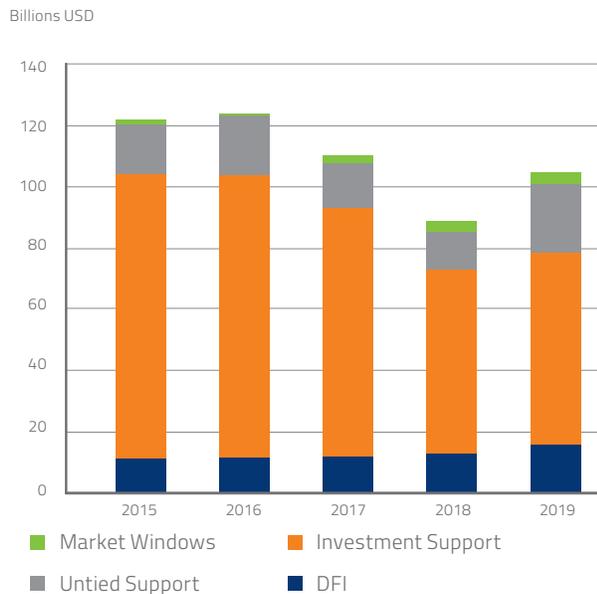
64 China Development Bank, "About CDB," [http://www.cdb.com.cn/English/gykh\\_512/khjj/](http://www.cdb.com.cn/English/gykh_512/khjj/)

65 China Development Bank, "Loan Financing," <http://www.cdb.com.cn/English/cpww/gjyw/dkrz/>

66 Ibid.

67 Center for Global Development, "DFI Dashboard Data Notes and Methodology," <https://www.cgdev.org/sites/default/files/dfi-dashboard-methodology.pdf>

**Figure 11: Total Official MLT (Non-Export Credit) Trade-Related Activity from OECD and Non-OECD Countries**

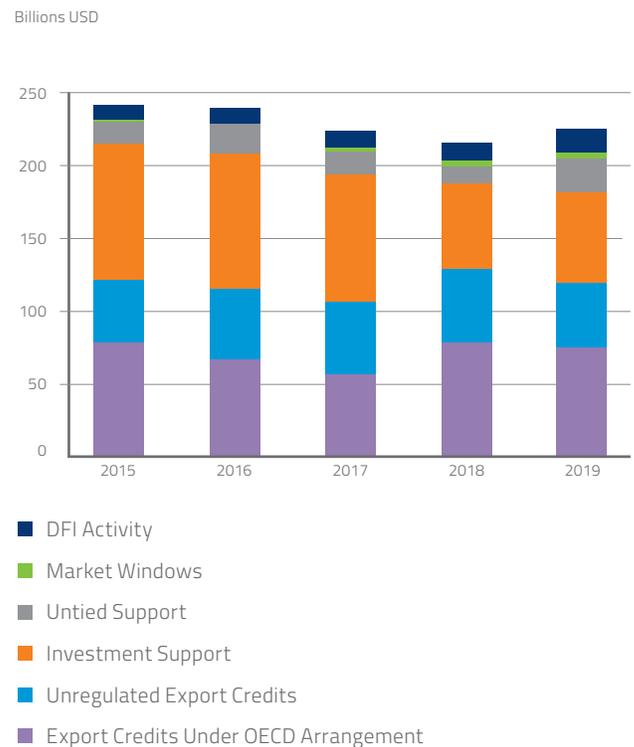


Sources: EXIM, bilateral engagement, Berne Union, annual reports

## Conclusion

Arrangement export credits held steady in 2019 at 34 percent of total export and trade-related finance – slightly less than in 2018 (36 percent) but still above the all-time low in 2017 (27 percent). Meanwhile, OECD and non-OECD countries increased their use of trade-related programs in 2019, following two years of declines from a recent high in 2016, as shown in Figure 11. All in all, businesses around the globe had access to more than \$220 billion in official export and trade-related support (Figure 12) in 2019.<sup>68</sup> This amount was essentially flat from 2017 to 2019 and down from 2015 to 2016.

**Figure 12: Grand Total of Official MLT Export and Trade-Related Activity from OECD and Non-OECD Countries**



Sources: EXIM, bilateral engagement, annual reports, Berne Union

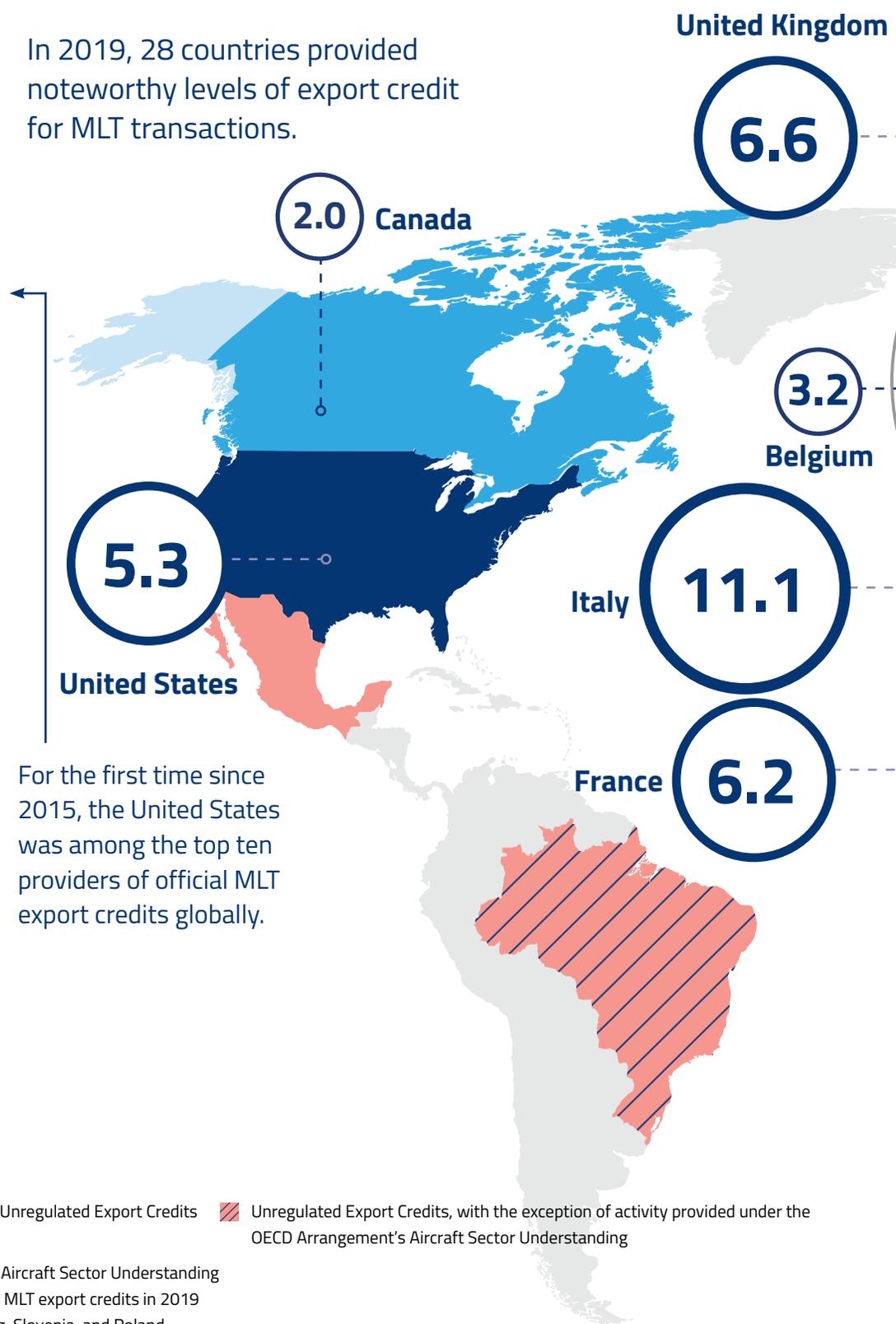
68 See Methodological Note in the Introduction for a description of EXIM's data collection activities.

# New Major Official Medium- and Long-Term Export Credit Volumes

Billions USD

1	China	33.5
2	Italy	11.1
3	Germany	10.5
4	India	7.0
5	United Kingdom	6.6
6	France	6.2
7	Korea	5.8
8	United States	5.3
9	Finland	4.1
10	Sweden	4.0
11	Japan	3.6
12	Belgium	3.2
13	Spain	2.9
14	Denmark	2.7
15	Switzerland	2.2
16	Canada	2.0
17	Netherlands	1.6
18	Norway	1.3
19	Austria	1.1
20	Russia	1.0
21	Hungary	0.6
22	Brazil*	0.3
23	Israel	0.2
24	Czech Republic	0.1
25	Australia	0.1
26	Mexico	0.1
27	South Africa	0.1
28	Turkey**	0.0
--	Other OECD countries***	0.4

In 2019, 28 countries provided noteworthy levels of export credit for MLT transactions.



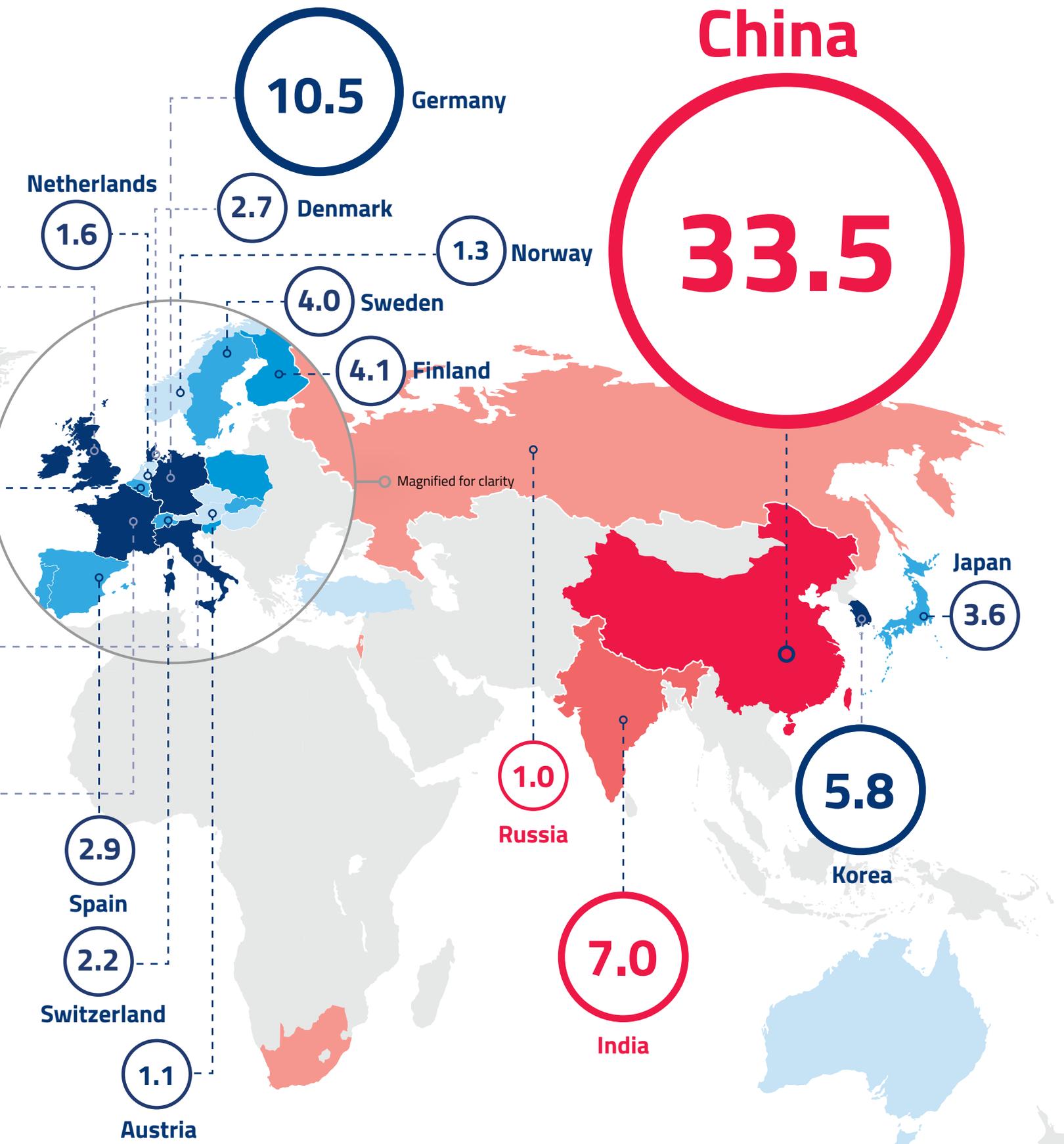
For the first time since 2015, the United States was among the top ten providers of official MLT export credits globally.

■ Export Credits provided under the OECD Arrangement
 ■ Unregulated Export Credits
 ▨ Unregulated Export Credits, with the exception of activity provided under the OECD Arrangement's Aircraft Sector Understanding

\* Participant to the OECD Arrangement's Aircraft Sector Understanding

\*\* Turkey reported \$0.031 billion in official MLT export credits in 2019

\*\*\* Includes Portugal, Slovakia, Luxembourg, Slovenia, and Poland.



Sources: EXIM, bilateral engagement, Berne Union, annual reports.  
 Data used for the figures in this report are available on the EXIM website at [www.exim.gov](http://www.exim.gov).  
 Disclaimer: Bubbles are not to scale and do not correlate with export credit volumes listed.

# Chinese Export and Trade-related Programs

Given the opacity of Chinese official financing practices, and concerns U.S. exporters have raised regarding the negative effect of Chinese official financing on their competitiveness, EXIM has sought for years to pursue transparency and shed light on China's predatory practices. This chapter's detailed examination of the Chinese official export and trade-related finance system aims to further those efforts and highlights the following key points.<sup>69</sup>

- China has two official export credit agencies and a multitude of other government institutions that provide export and trade-related finance in support of China's policy and commercial goals.
- By a conservative estimate, Chinese official MLT export and trade-related financing totaled at least \$76 billion in 2019.
- Of this, China provided approximately \$34 billion in official MLT export credits, compared to EXIM's \$5 billion.
- Chinese state-owned-enterprises (SOEs) have begun playing a more central role as agents of official financing. The Chinese government issued fewer government-to-government loans and instead increased lending to and/or through Chinese SOEs.
- U.S. exporters face competition from China, and Congress directed EXIM to counter this competition and address U.S. exporters' concerns when, in EXIM's 2019 reauthorization, it mandated that EXIM create a program that aims to "directly neutralize" Chinese official financing.<sup>70</sup>

*These buyers are ones who were doing business with China but now want to do business with the U.S. and we need EXIM to back us up." – U.S. Exporter<sup>71</sup>*

## Introduction

Every year, EXIM conducts extensive research and analysis in an effort to quantify and distill the activity of foreign export and trade-related providers in this report. EXIM has expanded its data-related outreach to account for the emergence and rapid growth of ECAs that are not Participants to the Arrangement (e.g. those from Brazil, Russia, India, China, and South Africa).<sup>72</sup> Most of these ECAs elect to provide data bilaterally to EXIM for use in the Competitiveness Report or, when unable, guide EXIM staff to relevant portions of their respective annual reports from which estimates of activity can be made. The major exceptions to this exercise are some of the Chinese institutions. EXIM's Charter indicates that EXIM should estimate foreign ECA activity and include it in the report.<sup>73</sup> Therefore, EXIM gathers data and then estimates the size and scope of China's official MLT export credit and trade-related programs.

## Chinese Export and Trade-related Institutions

**Official ECAs:** The two official export credit agencies of China are the Export-Import Bank of China (China EXIM) and the China Export and Credit Insurance Corporation (Sinosure).

- **China EXIM:** One of China's two *official* ECAs, as well as one of its three primary policy banks (the two others being China Development Bank and the Agricultural Development Bank of China).

<sup>69</sup> See EXIM Data Collection section at the end of this Chapter.

<sup>70</sup> 12 U.S.C. § 635(l)(1)

<sup>71</sup> EXIM, "Official EXIM Competitiveness Report 2019 Exporter and Lender Survey"

<sup>72</sup> Brazil is a Participant to the OECD Arrangement's Aircraft Sector Understanding.

<sup>73</sup> 12 U.S.C. 635g-1(a)(1)

It has a broad mandate to support China's economic, industrial, and trade goals through a range of programs that include export credits, loans for investment, and foreign-exchange tools. Because China EXIM is policy-driven, its credit programs are reflective of the Chinese government's policy objectives (rather than commercial objectives). China EXIM's export finance programs can be divided into three general categories based on the level of concessionality (on a net present value basis) of the credit.<sup>74</sup>

- On one end of the spectrum, China EXIM provides credits that are commercially-oriented – that is, the financial terms and conditions generally result in a zero concessionality level.
- China EXIM also provides credits that appear to be slightly concessional. In other words, these credits offer subsidized terms (such as 2-3 percent interest for 20 years) but not enough to meet the minimum concessionality requirements under the OECD Arrangement's tied aid rules (generally greater than or equal to 35 percent concessionality).
- Finally, China EXIM provides credits that appear to meet the minimum concessionality requirements under the OECD Arrangement's tied aid rules.

In addition to programs directly tied to exports (i.e., contingent upon procurement), China EXIM provides untied loans for trade-related overseas projects (including direct participation in equity funds) and domestic loans (including subsidies) to Chinese exporters and exporting industries. China EXIM uses its range of programs to implement its policy goals—beyond merely supporting exports (through export credits) to broader economic and trade policy (foreign-exchange tools), industrial development (domestic working capital and domestic subsidies), and foreign

policy (targeted loans to specific countries). China EXIM's importance can be readily seen through its financing for the BRI and its major role in the rapid development of critical industries (such as 5G and other transformational technologies referred to in Box 1 above) to support China's Made in China 2025 industrial policy.<sup>75</sup>

- **Sinosure:** China's second official ECA, which, unlike China EXIM and other funding institutions, does not provide loans directly to customers, but instead only provides insurance and guarantee products to support investment and trade. Because Sinosure is a pure cover provider, EXIM must consider the competitive aspects of both Sinosure's risk cover and the financial terms and conditions of the financing provided by the funding entity which receives Sinosure's cover. A range of entities can fund export credits under Sinosure's cover, including Chinese state-owned banks, international commercial banks, and China's policy banks.

#### **Other Export and Trade-related Financing**

**Institutions:** Beyond its two official ECAs, China uses several other official government entities to finance its exports and trade practices through a variety of means, including export credits.

- **China Development Bank (CDB):** CDB plays a multifaceted role and is a key tool of the Chinese government in both domestic and foreign policy. A large institution by asset value (over \$2.3 trillion at the end of 2018), the majority of its activities occur within China through support of domestic economic development, infrastructure, and select industries.<sup>76</sup> However, it plays a substantial outward-facing role through financing the BRI, trade-related foreign investment, and even export finance (in the form of buyer credits).<sup>77,78</sup> One of the "Big Three" policy banks founded in 1994, the Chinese government has labeled CDB as a DFI since 2015.<sup>79</sup> It does not

74 See EXIM Data Collection section at the end of this Chapter.

75 According to the Congressional Research Service, "The 10 sectors identified in the State Council's 2015 plan are (1) next-generation information technology, (2) high-end numerical control machinery and robotics, (3) aerospace and aviation equipment, (4) maritime engineering equipment and hightech maritime vessel manufacturing, (5) advanced rail equipment, (6) energy-saving and new energy vehicles, (7) electrical equipment, (8) agricultural machinery and equipment, (9) new materials, and (10) biopharmaceuticals and high-performance medical devices. The plan also seeks to establish 40 manufacturing innovation centers by 2025." Congressional Research Service, "The Made in China 2025 Initiative: Economic Implications for the United States," <https://fas.org/sgp/crs/row/IF10964.pdf>

76 China Development Bank, "About CDB," [http://www.cdb.com.cn/English/gykh\\_512/khjj/](http://www.cdb.com.cn/English/gykh_512/khjj/)

77 Ibid.

78 China Development Bank, "Loan Financing," <http://www.cdb.com.cn/English/cpfw/gjyw/dkrz/>

79 China Development Bank, "About CDB," [http://www.cdb.com.cn/English/gykh\\_512/khjj/](http://www.cdb.com.cn/English/gykh_512/khjj/)

recognize CDB as an ECA. Because of this status, this report does not formally list CDB as an official ECA (see Appendix M). Nevertheless, EXIM does attempt to collect information on export credit and trade-related transactions supported by CDB to track any potential competitive implications of CDB's financing for U.S. exporters. The Center for Strategic and International Studies (CSIS) tracks CDB loans in the Reconnecting Asia database and reports that CDB has pledged over \$250 billion for projects over the next five years.<sup>80</sup>

- **State-owned banks:** In addition to China's policy banks, a number of state-owned banks offer export finance, among other products. The Agricultural Bank of China (ABC),<sup>81</sup> the Industrial and Commercial Bank of China (ICBC),<sup>82</sup> the Bank of China (BOC),<sup>83</sup> the China Construction Bank (CCB),<sup>84</sup> among others, operate based on commercial principles. They often operate as the funding vehicle for official export credits and trade-related projects insured by Sinosure.

- **State-Owned Enterprises (SOEs):** In 2019, Chinese SOEs began playing a more central role as agents of official financing. The Chinese government issued fewer government-to-government loans and increased lending to and/or through these SOEs. They are by design primary beneficiaries of the policy to embed Chinese brands into the global supply chains of major industry sectors and markets. For example, Huawei – rather than China EXIM – is pictured below signing a Memorandum of Understanding (MOU) with the government of Ghana.



Source: <https://www.huawei.com/cn/news/2017/6/Huawei-Government-Ghana-MOU>

### 2019 Findings

EXIM's research has led to the following estimates of China's official activity in 2019:<sup>85</sup>

#### Official MLT Export Credits:

- Estimated "standard" export credits provided by China EXIM and Sinosure: approximately \$24 billion
- Through its research, EXIM had found approximately \$12 billion in China EXIM export credits. Since Sinosure is known to cover a portion of China EXIM's non-concessional activity, however, approximately \$1.5 billion of this total was assumed to receive cover from Sinosure and was therefore not counted, so as to avoid double counting China's official activity. The total standard export credit was therefore estimated to be approximately \$10.5 billion.

80 CSIS, "China Development Bank Pledges \$250B to BRI," <https://reconnectingasia.csis.org/analysis/entries/cdb-pledges-250bn-bri/>

81 Agricultural Bank of China, "Export Buyer's Credit," <http://www.abchina.com/en/corporate/financing-and-credit-facility/international-trade-finance/ebc/>

82 Industrial and Commercial Bank of China, "Export Buyer's Credit," <http://www.icbc.com.cn/icbc/%E6%B5%B7%E5%A4%96%E5%88%86%E8%A1%8C/%E6%B2%B3%E5%86%85%E7%BD%91%E7%AB%99/en/ProductsServices/CorporateBanking/ExportBuyersCredit/>

83 Bank of China, "Export Buyer's Credit," [https://www.boc.cn/en/cbservice/cb2/cb22/200806/t20080630\\_1324061.html](https://www.boc.cn/en/cbservice/cb2/cb22/200806/t20080630_1324061.html)

84 China Construction Bank, "International Financing," [http://en.ccb.com/en/internationalbusiness/v3/20090610\\_1244624324.html?ptId2=5&ctId2=2](http://en.ccb.com/en/internationalbusiness/v3/20090610_1244624324.html?ptId2=5&ctId2=2)

85 See EXIM Data Collection section at the end of this Chapter and Methodological Note in the Introduction for a description of EXIM's data collection activities.

- Preferential Export Buyer’s Credit program provided by China EXIM (which does not receive Sinosure cover): approximately \$9 billion

- Tied Lines of Credit (“shopping lines”) provided by China EXIM: approximately \$300 million

**Additional MLT Export Finance Support:**

- Export credits provided by CDB and other Chinese entities (i.e., unofficial export credits), which did not receive Sinosure cover: approximately \$7.5 billion

- Seller’s credit: approximately \$2.5 billion

**Investment Support:**

- Estimated investment activity provided by China EXIM, CDB, and Sinosure: roughly \$22.8 billion

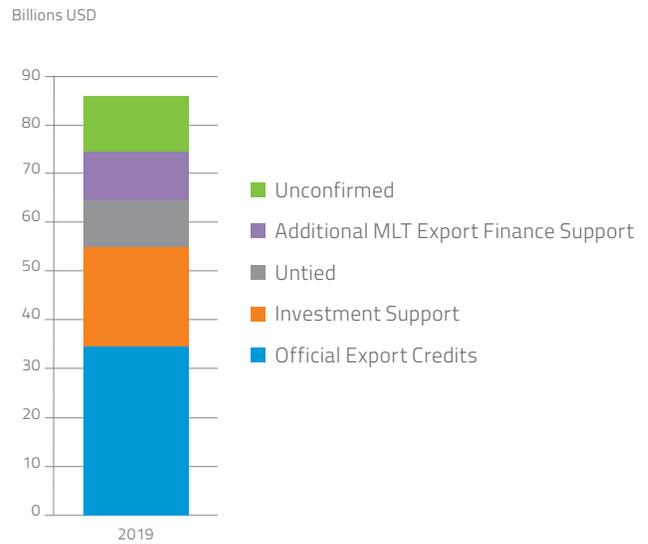
**Untied Support:**

- Estimated untied activity provided by China EXIM and CDB: roughly \$9.5 billion<sup>86</sup>

**Estimated Total Chinese Official MLT Export and Trade-related Activity in 2019:** approximately \$76 billion<sup>87</sup>

If adding to this total the volume of transactions that EXIM discovered in its research but that could not be verified (approximately \$12 billion), the total volume of potential Chinese official MLT export and trade-related activity is close to \$90 billion, as shown in Figure 13.<sup>88</sup>

**Figure 13: Chinese Official MLT Export and Trade-Related Activity in 2019**



Sources: EXIM, bilateral engagement, Berne Union

To encourage other researchers and experts in the field to further expand or clarify any relevant research, any interested parties that wish to provide feedback or recommendations on the process and findings can make further inquiries to [chinaresearch@exim.gov](mailto:chinaresearch@exim.gov).

**Methodology: EXIM Data Collection**

The true scope, scale, and details of the Chinese government’s official export and trade-related activity is obscured. Therefore, each year EXIM utilizes multiple open sources and research techniques to gather information on China’s official activity.

86 The Chinese official investment and untied data includes support from Sinosure, China EXIM, and CDB. For 2019 data, EXIM revised its methodology from prior years when EXIM estimated the amount of China EXIM and CDB investment and untied support based on market trends. In 2019, China EXIM and CDB investment and untied data is derived from concrete transactions that EXIM has identified in its research efforts described in this chapter.

87 Figures may not add up due to rounding.

88 Transactions that could not be verified include transactions for which EXIM was unable to find sufficient information to either: 1) confirm that a formal financial commitment was concluded; 2) identify which official Chinese institution(s) provided the support; and/or 3) clearly identify the specific type of support provided (e.g. export credit, untied, etc.).

**Public-facing Search:** EXIM generates a list of potential projects for inclusion in the Competitiveness Report based on online tools. This database is primarily intended to capture China EXIM’s (and relevant portions of CDB’s) official MLT export credit activity and concessional loan activity. Combined with the export credit and investment activity of Sinosure, it allows EXIM to estimate China’s official export credit and trade-related activity. EXIM’s research pulls information from English and certain Mandarin sources when possible, including newspapers, press releases, official websites, academic papers, and government reports from across the globe. EXIM uses the web search tools below, among others, to compile a database of potential Chinese export and trade-related projects:

- Emerging Markets Information Service (EMIS) Intelligence
- Google Alerts
- Bloomberg
- EBSCO Information Services
- Lexis Nexis (Lexis Advance)
- TXF

In particular, EXIM searches for articles, press releases, and other media that detail *specific* transactions and contain information on *associated terms and conditions*. After collecting the full universe of potential projects of interest, EXIM:

- Conducts further research on each project to discover more information and ensure, to the extent possible, the accuracy of project-specific terms and conditions;
- Uses terms and conditions described in press articles, the presence or absence of key language, and EXIM judgment, based on historical experience and data collected through various international forums, to classify projects as export credits, preferential loans, or other support;<sup>89</sup> and

- Attempts to verify the validity of the financial terms and conditions of the transactions within the database, refines its methodology, and compares its findings with intragovernmental and external sources. Specific collaboration sources include a variety of academic groups, including Johns Hopkins’s China-Africa Research Initiative and the Inter-American Dialogue. EXIM has also aimed to confirm its data collections with the State Department and the Foreign Commercial Service through U.S. embassies abroad, when possible.<sup>90</sup>

In the past, EXIM briefed China EXIM on its research methodology, in a good faith effort at transparency and to gauge the accuracy of EXIM’s findings. EXIM has previously requested that China EXIM comment on the database, either on a holistic basis or for individual projects. China EXIM has, to date, not provided substantive comments on EXIM’s estimates or on project-specific information.

**China EXIM Annual Report:** In previous years, EXIM has consulted China EXIM’s annual report to supplement EXIM’s data collection. EXIM’s Competitiveness Report is due to Congress by June 30 each year. Unfortunately, official Chinese sources (which rarely convey sufficient detail on transactions and commitments) are often not available in time for EXIM to include relevant data. This was the case for China EXIM’s Annual Report in recent years. As a result, EXIM cannot rely on official reporting and must use a variety of statistical techniques to estimate the volume of Chinese activity.

89 Loans are classified based on characteristics such as tenor and interest rate, with those that resemble export credits as governed by the OECD Arrangement being considered export credits. These transactions typically see China EXIM financing 85 percent of the project, asking for a 15 percent down payment from the borrower, and allowing tenors of up to approximately 15 years. Preferential loans, consisting of the Preferential Export Buyer’s Credit and Government Concessional Loan, feature flexible, “soft” terms. For example, interest rates of approximately two percent, tenors of 20 years, and grace periods of five years.

90 Due to a shift in priorities resulting from the U.S. Government’s response to the COVID-19 pandemic, efforts to confirm EXIM 2019 research with U.S. Foreign Commercial Service and State Department official projects were postponed.

# Support for Small Businesses in Global Competition

In 2019, EXIM continued to focus on supporting small businesses and took stock of its own outreach efforts and support while comparing its approach to that of its foreign counterparts.

- In 2019, EXIM supported American small businesses through its small, medium, and long-term programs and by enhancing its engagement with U.S. small businesses, including updating its internal processes and external outreach.
- Foreign ECAs have heightened their focus on supporting their countries' small businesses through official MLT export and trade-related support.

Canada, Italy, and the United Kingdom are some of the most proactive countries using official export and trade-related support for small businesses. They are using incentive programs to match their small and medium-sized enterprises (SMEs) with foreign buyers and they are helping create their country's next exporters.

### Introduction

Often, in the export and trade-related finance market, support for small businesses is associated with short-term financing and small transactions. As demonstrated by transactions supported by EXIM's MLT programs in 2019, however, American small businesses engage in larger MLT transactions where they face foreign competition. Moreover, in recent years, EXIM has observed foreign ECAs' heightened focus on supporting their countries' small businesses with MLT support. In light of these developments, as well as EXIM's continued support for U.S. small businesses, EXIM is taking stock of its own outreach efforts and support for U.S. small businesses and is assessing the competitiveness of its offerings.

*"Interestingly, we had big and small contracts, sometimes SMEs had large transactions and sometimes we had large companies with small tickets. It's a really unusual combination that has been growing and came to fruition last year." – Anna-Karin Jatko, Director General, EKN<sup>91</sup>*

### EXIM Support for Small Business in 2019

In EXIM's medium-term (MT) program, approximately 78 percent of authorizations (by number) in 2019 supported U.S. small businesses exporting, for example, machinery and equipment, small agricultural aircraft, and U.S.-based services. Upon the restoration of EXIM's board quorum in May 2019, EXIM's Board of Directors approved a resolution on individual delegated authority (IDA) under which short- and medium-term transactions can be approved by specific senior officers. It raised the upper limit of the dollar amount of individual transactions eligible for IDA from the previous limit of \$10 million per transaction to \$25 million.<sup>92</sup> As such, EXIM is able to offer a more streamlined process for more transactions, allowing better support for U.S. small businesses benefiting from the MT program. EXIM's customers viewed this action favorably and stated that it helps improve EXIM's competitiveness vis-à-vis its foreign counterparts.

In the LT arena in 2019, EXIM's Board of Directors approved preliminary commitments (PC) in support of two U.S. small businesses facing foreign competition. A PC is a non-binding offer of EXIM financing subject to the award of the export contract and EXIM's review of an application for a final commitment.<sup>93</sup> A PC is usually provided to a U.S. exporter prior to a final contract award and, because a PC is a strong

91 TXF, "Keynote: Opening up EKN's one-stop guarantees shop," <https://www.txfnews.com/News/Article/6932/Keynote-Opening-up-EKNs-one-stop-guarantees-shop>

92 12 USC 635a(g)(3)

93 Conversion of the preliminary commitment to a final commitment requires authorization by EXIM's Board of Directors and is subject to the satisfaction of all conditions, policies, and legal requirements of the agency under its Charter and as determined by the Board.

indication of EXIM support, it serves as a tool to help U.S. exporters bolster their bid and potentially win the contract. In each of these transactions, U.S. small businesses faced foreign competition, including from China.

Additionally, the LT transaction EXIM's Board of Directors authorized in September 2019 – the first in more than four years – finances the sale of U.S. exports to an integrated LNG project in Mozambique. It is expected to help support 24 identified U.S. small business exporters and participating suppliers selling their goods or services directly to the project and to the U.S. exporters, respectively.<sup>94</sup>

EXIM's support for this transaction, including its support for these U.S. small businesses, was provided as the U.S. exporter was facing foreign competition. As EXIM Chairman and President Kimberly Reed stated, "We have been told that China and Russia were slated to finance this deal before our EXIM board quorum was restored by the U.S. Senate. The project will now be completed without their involvement and instead with 'Made in the USA' products and services."<sup>95</sup> These products and services include those made by U.S. small businesses, which likely would not be supplied to this project without EXIM financing.

***"We really appreciate the renewed focus on small businesses from EXIM. The agency provides an important resource for small business exporters."*** — Todd McCracken, president, National Small Business Association<sup>96</sup>

***"EXIM is dedicated to increasing the number of small businesses exporting goods and services to support U.S. jobs. As a small business owner, the partnerships that EXIM has, and is growing, with local banks, are beneficial to my company, and small businesses like mine throughout America."*** — Richard Rogovin, chairman and general counsel, U.S. Bridge.<sup>97</sup>

## 2019 Updates to EXIM Support for U.S. Small Businesses

In 2019, EXIM worked to support U.S. small businesses not only by approving financing but also by updating its engagement with U.S. small businesses, including updates to its internal processes and external outreach. EXIM began planning the development of a customer management platform that will span its divisions, so EXIM can better analyze the U.S. supply chain reach of its financing, and therefore EXIM can expand its outreach to small businesses within the U.S. supply chain.

In 2019 EXIM also began planning a channel operations approach. EXIM has longstanding relationships with the lender and broker partners who help manage relationships with EXIM's customers, particularly small businesses. It is important to note that while some small businesses approach EXIM directly, most do so through EXIM's partners. These partners create a multiplicative effect in the number of exporters touched and the areas around the country covered.

For most of EXIM's existence, its relationship with its partners has primarily been passive. EXIM small business products are not as lucrative as other private-sector products. This is by design, but it still makes it difficult to scale the number of transactions the agency conducts through partners to reach U.S. small businesses.

Through channel operations, EXIM will support its lender and broker partners more proactively, providing direct support to better identify, originate, onboard, and service U.S. small businesses in particular. This will include the ability to access resources tailored to their specific circumstances and needs. It starts with an account manager, who works with the partner to develop an account plan that includes various types of marketing, outreach, training, and commission incentives. The account manager allows partners to use EXIM resources. EXIM looked to other ECAs to

<sup>94</sup> Number of U.S. exporters and suppliers provided at the time of authorization in September 2019.

<sup>95</sup> EXIM, "Remarks by EXIM President and Chairman Kimberly Reed at the American Association of Port Authorities Shifting Trade Conference," <https://www.exim.gov/news/archives/speeches/remarks-exim-president-and-chairman-kimberly-reed-american-association-port>

<sup>96</sup> EXIM, "EXIM Chairman Reed Hosts Small Business Roundtable to Discuss How EXIM Can Help More U.S. Small Businesses Expand Exports," <https://www.exim.gov/news/exim-chairman-reed-hosts-small-business-roundtable-discuss-how-exim-can-help-more-small>

<sup>97</sup> Ibid.

learn from their practices in supporting their country's small businesses and found Canada's EDC to be a leader in this space.

### Foreign ECA Support for Small Businesses

In 2019, EXIM participated in a Berne Union workshop on ECA support for small and medium-sized enterprises (SMEs) to better understand how foreign ECAs support small businesses. Several Berne Union members discussed the financial products they offer to ensure that their country's exporters remain competitive. ECAs' support for SMEs – while traditionally focused on outreach and education – is expanding into new areas and driving new policies and programs.

*"The agenda of ECAs in Europe is broadly similar, it includes digitization and the need to promote the exports of SMEs better." – Pauli Heikkila, CEO, Finnvera<sup>98</sup>*

*"... we now have the capacity to offer a much more comprehensive approach to SMEs going international...[and] much better coverage of small and medium-sized companies in France in various territories far from Paris...In a way, the transfer from Coface to Bpifrance got us a lot more outreach power towards SMEs than was the case before... Mainly, the idea is to keep being proactive in support of big projects with an onus on SMEs, which was a weakness probably of the French offering [before]" – Gabriel Cumenge, deputy secretary, French Ministry of Finance<sup>99</sup>*

### Box 3: Which ECA Provides the Most Support to SMEs? Hard to Say.

It is difficult to compare support for SMEs across ECAs since ECAs use a different definition of "SME" or "small business." During this year's exporter focus group, U.S. exporters noted this key difference, explaining that other ECAs may appear to support more small businesses than EXIM because of more lenient definitions of a small business.

EXIM uses the U.S. Small Business Administration's (SBA) definition of a small business and, for the most part, size standards are the average annual receipts or the average employment of a firm.<sup>100</sup> Some foreign ECAs use similar indicators, but with varying thresholds. For example, some major European ECAs use "annual turnover" of EUR 50 million as a cut off for SME categorization, while others use EUR 150 million. Some use EUR 50 million paired with stipulations for the number of employees, while others use only a maximum cut off of 500 employees. The Asian ECAs use a combination of factors, such as total assets, annual sales, company ownership, status as a subsidiary, sector, amount of capital, and the size of the workforce of each company. Sinosure of China reports that its definition of SME is simply a company with an annual export volume of no higher than USD 3 million in the previous year.

Because of these incompatible methodologies, EXIM has not sought to compare volumes of support for small businesses across ECAs.

98 TXF, "Keynote: Finnvera CEO on cruising concentration risk," <https://www.txfnews.com/News/Article/6931/Keynote-Finnvera-CEO-on-cruising-concentration-risk>

99 TXF, "Pedal to the metal on sustainability for France's MoF" <https://www.txfnews.com/News/Article/6963/Keynote-Pedal-still-to-the-metal-on-sustainability-for-Frances-MoF>

100 Small Business Administration, "Table of size standards," <https://www.sba.gov/document/support--table-size-standards>

### New Ways of Approaching SME Outreach, Policies, and Programs

Typically, ECAs (including EXIM) have focused their outreach to SMEs on raising awareness about the availability of ECA financing. This is still EXIM's primary focus—educating U.S. small businesses on how EXIM can fill financing gaps.

As EXIM has reported in recent Competitiveness Reports, foreign ECAs are no longer taking as much of a demand-driven approach, and this more proactive stance is not limited to ECAs' support for major national champions; it also characterizes their outreach to small businesses. Foreign ECAs are not just conducting outreach to educate small businesses, they are now:

1. Matching SME suppliers with larger companies to embed the SMEs in those companies' supply chains,
2. Matching SME exporters with foreign buyers, and
3. Working with domestic companies (particularly SMEs) that have not sold their goods and/or services abroad to help them to become exporters.

#### EDC (Canada)

EDC has long been one of the leading ECAs working to embed SMEs into the supply chains of larger multinational companies, primarily through its untied "pull" loan program, which it reports mainly serves Canadian SMEs.

EDC has stated, "EDC participation in financing facilities for key foreign buyers helps create opportunities for Canadian exporters, in particular, small businesses," adding that "Corporate or project **lending provided by EDC to a targeted foreign company is leveraged to influence their future procurement decisions.**"<sup>101</sup> EDC pairs its financing with matchmaking between Canadian suppliers and foreign buyers. In its 2018 annual report, EDC

noted "EDC continues to place a strong emphasis on supporting SMEs in developed and emerging markets. We accomplish this ... by leveraging our relationships with foreign buyers to **encourage the purchase of Canadian goods and services and to introduce SMEs into their supply chains.**"<sup>102</sup> This approach is very different from those taken by demand-driven ECAs (such as EXIM), which wait for exporters and buyers to connect before coming to the ECA for financing.

In gauging whether this pull program is meeting its main objectives (the first of which EDC has stated is to "Introduce and deepen the penetration of Canadian companies into global and regional supply chains of major international buyers"), EDC requires reporting on progress towards increased Canadian procurement.<sup>103</sup> After reporting on the results of matchmaking events and Canadian procurement, the final step in the process is to "Evaluate [the] potential for new pull financing," with the underlying assumption that **additional financing will be made available if Canadian procurement, particularly from new suppliers and SMEs, continues.**<sup>104</sup>

EDC's independently conducted 2018 Legislative Review found that this program seemed to be working, stating that "Foreign 'pull' clients confirm that they value EDC's active efforts to identify high-quality Canadian suppliers and facilitate buyer-exporter relationships. **Data provided by EDC suggests that the pull strategy is creating export opportunities and bringing overall economic benefits to Canada.**"<sup>105</sup> This success is attracting EDC resources to this program, which the Legislative Review found to be "a significant part of [EDC's] business."<sup>106</sup>

101 EDC, "Briefing on EDC's Pull Strategy, A Key Tool of Trade Creation," <https://www.edc.ca/EN/Trade-Commissioners/Documents/pull-strategy-tcs.pdf>

102 EDC, "EDC 2018 Annual Report," <https://www.edc.ca/en/about-us/corporate/corporate-reports/annual-report-2018.html>

103 EDC, "Briefing on EDC's Pull Strategy, A Key Tool of Trade Creation," <https://www.edc.ca/EN/Trade-Commissioners/Documents/pull-strategy-tcs.pdf>

104 Ibid.

105 The report noted "EDC acknowledges that it cannot definitively state that Canadian procurement results from pulls, as most pull buyers already have a baseline Canadian procurement which is included in the data." Global Affairs Canada, "2018 Export Development Canada Legislative Review," <https://www.international.gc.ca/trade-commerce/assets/pdfs/edc-lr-18-eng.pdf>

106 Ibid.

*"Whilst difficult to quantify these [untied] schemes, all encourage future purchases from the countries that offer them." – Survey respondent<sup>107</sup>*

### SACE (Italy)

SACE, which is the world's top provider of MLT export credits after China, is also leading the new wave of SME outreach and strategic financing among ECAs. As stated in last year's Competitiveness Report, SACE introduced its "Push Strategy" in 2018. According to SACE, it allows customers to "Diversify source[s] of financing at competitive rates and tenors, [and] gain access to Italian supply chain[s] for your business, by participating in business-matching events..."<sup>108</sup> SACE also notes the additional benefit of the "Possibility of receiving economic incentives on reaching an import target from Italy, on a best effort basis."<sup>109</sup> In 2019, SACE reported that it used its Push Strategy to guarantee a loan of €250 million to a Brazilian company **"to facilitate Italian businesses', especially SMEs'**, entry into the Brazilian giant's supply chain," noting Italian suppliers "will be the first to benefit from the Brazilian firm's expansion."<sup>110</sup>

*"The aim of the [Push Strategy] initiative – which also sees the involvement of a pool of international banks – is to facilitate the awarding of Italian supply contracts, providing a unique means for enterprises (and **SMEs in particular**) to access the opportunities offered by [major companies]" – SACE<sup>111</sup>*

This Push Strategy has been a major focus for SACE over the last two years, and SACE has complemented this program with focused efforts on embedding SME suppliers into global supply chains, and on creating new Italian exporters. In 2019, SACE established a team of "coaches" in its "export and internationalization hub, centered on listening and

coaching, **to help smaller businesses that want to start expanding abroad.**"<sup>112</sup> SACE stated that "Overall in the last three years, the hub has deployed €20 billion in support of this segment, with mobilized resources growing at an annual rate of 10 percent."<sup>113</sup> SACE also noted in June 2019 that it was considering doubling its team of 12 SME coaches by the end of the year.<sup>114</sup> This pairing of financing incentives and proactive outreach makes SACE one of the most forward-leaning ECAs, and U.S. exporters and lenders alike noted this approach was being pursued aggressively.

*"By working alongside companies, **we have learned that merely offering effective products, and making these simple and accessible, is not enough: we must also help businesses use them.** That is what our export coaches are there for: to help them overcome the initial challenges of internationalization, risk management and digitalization, all of which are highly specific skills and anything but straightforward," Stefano Bellucci, SME division manager, SACE<sup>115</sup>*

*"We routinely provide financing to our clients supported by ECA untied programs. Some, e.g. **SACE[s] Push Strategy, is very aggressively marketed and can be an attractive product for us.**" – Survey Respondent<sup>116</sup>*

### UKEF (United Kingdom)

UK Export Finance (UKEF) has also begun a more proactive approach, with a more concerted effort to help SMEs and create new U.K. exporters. In 2019, UKEF changed its content policy, its statutory powers having been expanded in the U.K. Small Business Enterprise and Employment Act 2015, which "enables UKEF to assist and support firms carrying on business in the United Kingdom that are, **or wish to become**

107 EXIM, "Official EXIM Competitiveness Report 2019 Exporter and Lender Survey"

108 SACE, "Untied facility," <https://www.sacesimest.it/en/solutions/category-detail/product-detail/Untied-facility-Italian-supplier-yet-to-be-identified>

109 Ibid.

110 SACE, "SACE SIMEST works with Braskem to bring Italian SMEs to Brazil," <https://www.sacesimest.it/en/media/sace-simest-works-with-braskem-to-bring-italian-smes-to-brazil>

111 SACE, "SACE SIMEST: €500 million for Italian exports," [https://www.cdp.it/sitointernet/page/en/sace\\_simest\\_500\\_million\\_for\\_italian\\_exports?contentId=PRG20660](https://www.cdp.it/sitointernet/page/en/sace_simest_500_million_for_italian_exports?contentId=PRG20660)

112 SACE, "The team set up by SACE SIMEST (CDP Group) dedicated to small and medium-sized enterprises is ready," <https://www.sacesimest.it/en/media/export-coach-new-service-SME>

113 Ibid.

114 Ibid.

115 Ibid.

116 EXIM, "Official EXIM Competitiveness Report 2019 Exporter and Lender Survey"

involved in, exporting supply chains.”<sup>117</sup> UKEF stated that additional statutory amendments “widen the ability of UKEF to support the exporting activities of firms carrying on business in the U.K., those in exporting supply-chains or **aspiring exporters**.”<sup>118</sup>

UKEF also created a “general export facility” which it describes as being “**designed to make [UKEF’s] support for exports more flexible for the needs of smaller companies**.”<sup>119</sup> This facility is provided to “support exporters’ overall working capital, rather than linking support to specific export contracts.”<sup>120</sup>

*“That GE-Anchor project, but equally with Bechtel on a range of infrastructure projects – **we invite them and their project sponsor into London, into a room with a couple hundred UK companies relevant to the opportunity, most of whom are SMEs, and with our offer of financing as well. They hear about a real project from the sponsor, they hear about the UK government willing to provide them with working capital and help them get paid, and they get to talk to the procurement contractor the sponsors brought in about the spec of goods and services that are needed for that project, and UK content is driven into that project...and once an SME is in [an exporter’s] procurement supply chain once, the opportunity for a second and a third and a fourth attempt is also there.**” – Louis Taylor, chief executive, UKEF<sup>121</sup>*

While working capital support has typically been provided on a short-term basis, EXIM has seen ECAs introducing similar products on an MLT basis in order to better support SMEs.

UKEF has taken a similar approach to that of SACE and EDC, matching U.K. suppliers with major multinational companies to integrate them into supply chains they would not otherwise have been

part of. Major manufacturers have reported that they began working with UKEF around 2014 and 2015 in part due to “**a significant change in philosophy that UKEF has taken on during recent administrations, with a strong drive to promote the products and the services it has**.”<sup>122</sup> Multiple exporters and lenders have reported on the effectiveness of UKEF’s supplier fairs. These fairs bring together U.K. suppliers, major manufacturers, overseas buyers with concrete projects, and UKEF financing. At these events, UKEF facilitates one-on-one meetings to help match U.K. suppliers with buyers. U.S. exporters have told EXIM they have participated in these fairs and that, in 2019, they were “courted strongly by UKEF” and “UKEF and Nordic ECAs actively sought business from our company and others in the U.S. while Ex-Im Bank was closed.”<sup>123</sup>

*“UKEF rolls out the red carpet and attracts suppliers to source from the U.K.” – U.S. Exporter<sup>124</sup>*

*“Foreign ECAs are not looking at my current supply chain to determine if they can support me, **they’re looking at my future supply chain,**” – U.S. Exporter<sup>125</sup>*

*“We’ve done matchmaking events with UKEF and DIT [UK Department for International Trade]. They are a big initiative on their part.” – U.S. Exporter<sup>126</sup>*

*“The Italians, Canadians, the British, and even the French now, **if you say you’ll show up for a procurement fair and talk to exporters, they’ll give you money before then.**” – Lender<sup>127</sup>*

117 UKEF, “Foreign Content Policy: consultation document,” <https://www.gov.uk/government/consultations/public-consultation-on-foreign-content-policy/foreign-content-policy-consultation-document>

118 Ibid.

119 UKEF, “New measures to enhance UKEF support for UK exporters announced in Spring Statement,” <https://www.gov.uk/government/news/new-measures-to-enhance-ukef-support-for-uk-exporters-announced-in-spring-statement>

120 UKEF, “UK Export Finance powers UK export boom with record £6.8 billion support in 2018 to 2019,” <https://www.gov.uk/government/news/uk-export-finance-powers-uk-export-boom-with-record-68-billion-support-in-2018-to-2019>

121 EXIM, “2019 Annual Conference Highlights – Strategic Trade Finance: The ECA Competitive Advantage,” <https://events.tvworldwide.com/EXIM/2019/Videoid/3610/exim-2019-strategic-trade-finance-the-eca-competitive-advantage>

122 UK House of Commons, “Environmental Audit Committee Oral evidence: UK Export Finance, HC 1804” <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/environmental-audit-committee/uk-export-finance/oral/98536.pdf>

123 EXIM, “Official EXIM Competitiveness Report 2019 Exporter and Lender Survey”

124 EXIM, EXIM exporter focus group, March 2020

125 Ibid.

126 Ibid.

127 Ibid.

*"EXIM doesn't finance foreign content, and this is a serious problem, because **buyers are using European ECAs, for example, to cover the content procured from the U.S. as foreign content, but then shift all procurement that could be from the U.S. elsewhere**" – Survey Respondent<sup>128</sup>*

## Conclusion

Each of these ECAs augment flexible financing with matchmaking events and networking support for small businesses. Whether through introductions made by EDC, supplier meetings set up by SACE, or supplier fairs hosted by UKEF, **all of these ECAs have stepped beyond the traditional ECA role, particularly in an effort to help their countries' SMEs.** In so doing, U.S. exporters and lenders reported that they have become familiar with these ECAs' networking opportunities and have been invited to join them. **Some U.S. exporters reported in EXIM's survey and focus groups that these matchmaking efforts and events have made it very simple for them to meet with foreign suppliers, obtain European ECA financing, and, as a result, these exporters are considering shifting their supply chains from the United States to Europe.**<sup>129</sup>

*"UKEF and SACE heavily courted us when EXIM was closed [for the LT market], and they made the point of telling us that EXIM was closed. **They really, really courted us and told us that they would 'take care' of us. So we increased our staffing in the UK and Italy.**" – U.S. Exporter<sup>130</sup>*

*"When EXIM was shut [from the LT market], **we experienced foreign ECAs heavily marketing themselves towards us. We began training our staff in a lot of regions on how to get ECA financing from SACE, SERV, and others.**" – U.S. Exporter<sup>131</sup>*

*"Over the past three years [while EXIM was absent from the LT market], we have managed to develop some interesting framework agreements with our ECAs. **We have covered our needs by engaging more fully with ECAs in Europe and have largely been able to fill the gap left by US Exim.**" – Tim Gaul, global export finance director, export and agency finance, Caterpillar<sup>132</sup>*

128 EXIM, "Official EXIM Competitiveness Report 2019 Exporter and Lender Survey"

129 EXIM, EXIM exporter focus group, March 2020

130 Ibid.

131 Ibid.

132 TXF, Keynote: Caterpillar on spreading the ECA umbrella, <https://www.txfnews.com/News/Article/6998/Keynote-Caterpillar-on-spreading-the-ECA-umbrella>

# Innovative Export Finance

In recent years, exporters, lenders, and foreign ECAs have reported that – even within the confines of the Arrangement rules – MLT transactions are being structured in a more complex way. This Chapter explores this emerging trend, with its key highlights being:

- The “standard financing package” has been replaced by a “boutique” approach, with financing packages tailored to the market, sector, borrower type, or project-specific considerations.
- Flexible policies allow ECAs to create innovative financing solutions and stretch their capabilities farther.
- The ability to offer innovative and tailor-made financing solutions has become a competitive issue and ECAs jockeyed to present their flexibilities as a central attribute of their competitiveness.

## A Change in Perspective

While lacking a quorum on its Board of Directors, EXIM stood on the sidelines of the LT export finance market from July 2015 to May 2019. Accordingly, the Competitiveness Reports of the last several years have “zoomed out” to cover macro-level observations of the market and of exporters’ and lenders’ reported experiences within it. In 2019, with the restoration of the quorum, EXIM had a renewed focus on transactions and, as such, this section “zooms in” to focus on the competitive implications of transaction-specific differences in official financing.

**“The number of projects that are easy to structure and are not complex has been decreasing for years.**

*The tendency will continue to be toward more complex and challenging projects.” – Edna Schoene, CEO, Euler Hermes<sup>133</sup>*

**“That’s the trend we’ve seen in many markets: fewer transactions, larger, more complex transactions and longer lead times in terms of getting the deals done.”** – Werner Schmidt, head of Structured Trade and Export Finance, Deutsche Bank<sup>134</sup>

*“We are seeing more complex and sustainable transactions where some Swedish technology offerings are brought to the fore... **It was a complex transaction, with some intricate financing solutions, which is a way the banks are responding to market demand and risk mitigation.**”* – Anna-Karin Jatko, Director General, EKN<sup>135</sup>

*“I look at it in the same way as any financial institution would in that there are building blocks like Lego in every transaction that you can remake into lots of different transactions. **It’s a case of having the ingenuity to be able to use those building blocks in different ways.**”* – Louis Taylor, chief executive, UK Export Finance<sup>136</sup>

**“We have a commitment to being flexible and to finding the right solution for a particular financing problem.”** – Louis Taylor, chief executive, UK Export Finance<sup>137</sup>

133 TXF, “Keynote: Shipping keeps Euler Hermes CEO in buoyant mood,” <https://www.txfnews.com/News/Article/6928/Keynote-Shipping-keeps-Euler-Hermes-CEO-in-buoyant-mood>

134 TXF, “Keynote: Deutsche’s Schmidt – from export financier to ‘project manager,’” <https://www.txfnews.com/News/Article/6915/Keynote-Deutsches-Schmidt-from-export-financier-to-project-manager>

135 TXF, “Keynote: Opening up EKN’s one-stop guarantees shop,” <https://www.txfnews.com/News/Article/6932/Keynote-Opening-up-EKNs-one-stop-guarantees-shop>

136 TXF, “Keynote: The busy-busy post Brexit world of UKEF,” <https://www.txfnews.com/News/Article/6921/Keynote-The-busy-busy-post-Brexit-world-of-UKEF>

137 Ibid.

*“There is a **willingness to have a tailor-made approach** where [the ECA] can adjust [its] support to the needs of the project” – Survey Respondent<sup>138</sup>*

*“I’m seeing **customized, boutique approach[es] to business** for the benefit of Europe and other companies in Asia.” – Survey Respondent<sup>139</sup>*

## No Such Thing as the “Standard” Financing Package

EXIM is aware of a wider range of transaction-specific financing features that were previously the exception, that are now raising the bar for competitive financing. The “standard financing package” has been replaced by a “boutique” approach, with financing packages tailored to the market, sector, borrower type, or project-specific considerations. This innovative approach to export finance has caught the attention of exporters and lenders alike for its competitiveness potential. Moreover, exporters and lenders have reported that foreign ECAs are often open to discussing, for example, what level of domestic content could be reached in a single transaction, or across multiple transactions, rather than expect applicants to approach them after determining that they can meet the ECA’s minimum content requirements. This flexible approach is seen by exporters and lenders as more competitive than EXIM’s approach.

ECAs and banks have reported a trend towards more complex transactions and more options among flexible ECAs. At an export finance conference in early 2020, one major U.S. exporter reported meeting with a SACE official and asking, “If I source from Italy, what will SACE give me?” Therefore, the ability to offer innovative and tailor-made financing solutions has become a competitiveness issue. Boutique approaches to financing grew in 2019, as ECAs

jockeyed to present their flexibilities as a central attribute of their competitiveness, as illustrated in the example and quotes in this Chapter.

*“In the meantime [while EXIM was lacking a Board quorum and waiting for its reauthorization], **the European ECAs have continued to support us well with flexibility in developing programs that align to Caterpillar’s distribution model. I expect we will continue to work with ECAs to develop further programs tailored to our needs.**” – Tim Gaul, global export finance director, export and agency finance, Caterpillar<sup>140</sup>*

## Porto de Sergipe LNG-to-Power Project

The most frequently cited example of this innovative approach was the Porto de Sergipe LNG-to-Power Project in Brazil, financed by SERV of Switzerland when EXIM was unable to authorize long-term financing due to a lack of a Board quorum. In this case, SERV provided insurance cover for an issuance in the debt capital markets – a first for SERV and the first time this was done by an ECA for a project.<sup>141</sup> The use of a project bond in particular is unusual since ECA-covered bonds have to date been used primarily for transactions with a short disbursement window (or even a single disbursement), such as aircraft transactions, not major projects with a construction period, as in this case. The Porto de Sergipe project is reported to be the largest combined-cycle, gas-fired power plant in South America.<sup>142</sup> Furthermore, it was financed in local currency – totaling more than 3 billion Brazilian reais. General Electric (GE) is its turnkey contractor, supplying three 7HA.02 gas turbines built in Greenville, South Carolina, as well as a steam turbine, three heat recovery steam generators, and transmission technology.<sup>143</sup> The case shows how large manufacturers have used foreign ECAs

138 EXIM, “Official EXIM Competitiveness Report 2019 Exporter and Lender Survey”

139 Ibid.

140 TXF, Keynote: Caterpillar on spreading the ECA umbrella, <https://www.txfnews.com/News/Article/6998/Keynote-Caterpillar-on-spreading-the-ECA-umbrella>

141 GE Reports, “Celse And GE Close Brl 3.2 Billion Project Financing Bond From Goldman Sachs For Largest Gas Power Plant In Brazil,” <https://www.genewsroom.com/press-releases/celse-and-ge-close-brl-32-billion-project-financing-bond-goldman-sachs-largest-gas>

142 GE Reports, “Start Me Up: These Huge Turbines Are Ready To Boost Brazil’s Smallest State,” <https://www.ge.com/reports/start-me-up-these-huge-turbines-are-ready-to-boost-brazils-smallest-state/>

143 GE Reports, “Celse And GE Close Brl 3.2 Billion Project Financing Bond From Goldman Sachs For Largest Gas Power Plant In Brazil,” <https://www.genewsroom.com/press-releases/celse-and-ge-close-brl-32-billion-project-financing-bond-goldman-sachs-largest-gas>

that require less – or zero – traditional domestic manufacturing (i.e., content) before allowing access to their financing.

*“GE has supported the project by **securing a landmark financing deal through a leading global investment firm and export credit agency – Goldman Sachs and SERV – in a market first.** This is a landmark transaction that brings local currency financing to a strategically important GE project and customer.” – Guto Davies, Managing Director at Energy Financial Services, GE Capital<sup>144</sup>*

*“**The competitive landscape has totally changed from my perspective and is forcing us to think outside the box.**” – Peter Gisler, CEO, SERV<sup>145</sup>*

*“When you compare it to the past, **the expectation that SERV could just wait until an exporter, a bank, both together, or with an investor, applied for insurance cover, has gone. Generally, the transactions back then were already fully structured, and then we just had to go through our insurance committee and approve them. This has fundamentally changed. ECAs are generating new business and are more active in bringing projects to their home countries. This is also SERV’s case.** We are using our networks to match project sponsors and EPC contractors of infrastructure projects with Swiss technology, know-how and financing.” – Peter Gisler, CEO, SERV<sup>146</sup>*

---

144 Ibid.

145 TXF, “Keynote: SERV’s CEO thinking outside the box,” <https://www.txfnews.com/News/Article/6916/Keynote-SERVs-CEO-thinking-outside-the-box>

146 Ibid.

# Section 2

---

## Stakeholder Views

Each year, EXIM conducts a survey of exporters and lenders, as required by its Charter, as well as focus groups and one-on-one meetings to gauge customers' views on the competitiveness of EXIM's financing.<sup>147</sup> This section summarizes feedback received through these avenues into four main categories, and also includes direct quotes from stakeholders providing their candid views. This section covers exporters' and lenders' views on:

- Their experiences working with foreign ECAs,
- The competitiveness of EXIM's policies,
- The competitiveness of EXIM's products and programs, and
- The competitiveness of EXIM's processes and overall approach.



---

<sup>147</sup> 12 U.S.C. § 635g 1(a)(1)

## Overview

EXIM's Charter requires that the agency survey a representative sample of U.S. exporters and lenders annually for this report and present their views on the impact of EXIM policies and programs on the competitiveness of the U.S. exporting community.<sup>148</sup> EXIM conducts an annual exporter and lender survey as well as two annual focus groups to gather this information.

## Exporter and Lender Survey and Focus Groups

EXIM surveyed more than 100 exporters and lenders who engaged with EXIM in 2019 either in relation to pending applications or approved transactions. EXIM received 44 responses for a response rate of more than 40 percent. EXIM is grateful to its customers who kindly provided their feedback and helped EXIM reach a higher response rate than last year (approximately 25 percent). Just over half of respondents were exporters, while 40 percent were lenders. The remainder were project sponsors and sub-suppliers. The number of survey respondents is not a metric that truly captures the broad range of feedback EXIM has received regarding competitiveness. For example, it does not reflect either the number of focus group attendees or the number of exporters and lenders with whom EXIM met in 2019 and early 2020 in conducting one-on-one meetings. Altogether, the content of the survey results overwhelmingly reflects the sentiment that this wide span of stakeholders has shared with EXIM.

EXIM, in collaboration with two industry groups (the National Association of Manufacturers and the Bankers Association for Finance and Trade), held focus groups with U.S. exporters and lenders in March 2020. EXIM also conducted several one-on-one stakeholder meetings over the course of 2019 and early 2020. Industry association representatives noted that their comments regarding EXIM competitiveness reflected the views of their membership involved in MLT export finance. The purpose of the focus groups and outreach efforts is to supplement survey findings with more detailed commentary from the U.S. exporting community. Many of the same points and issues identified in the survey were also emphasized during

the in-person meetings. Respondents' comments are quoted in this section and throughout the report.

## Key Points from the Survey and Focus Groups

### EXIM's Customers Continued to Engage with Foreign ECAs in 2019

As shown in Figure 14, a slightly larger portion of EXIM's customers benefitted from foreign ECA financing in 2019 (83 percent) than in 2018 (75 percent).<sup>149</sup> According to survey responses, the major foreign ECAs with which EXIM's customers did business remained the same (UKEF, Euler Hermes, BPIFrance, and SACE), but the responses indicated more diversity in the other ECAs with which they worked. For example, EXIM's customers received financing in 2019 from a wider variety of smaller European ECAs, including EKN (Sweden), SERV (Switzerland), EKF (Denmark), OeKB (Austria), Credendo (Belgium), Atradius (Netherlands), Hungary EXIM (Hungary), and KUKE (Poland). Outside Europe, EXIM's customers worked with BNDES (Brazil), EDC (Canada), China EXIM/Sinosure (China), KEXIM/KSURE (Korea), JBIC/NEXI (Japan), ECIC (South Africa), and Turk Exim (Turkey) in 2019. This variety of experiences sheds light on the breadth of foreign ECA financing available to EXIM's customers —opportunities that they are not letting pass by.

Multiple focus group participants reported that, in 2019, foreign ECAs across the globe strongly "marketed" and "courted" U.S. exporters in EXIM's absence.<sup>150</sup> When explaining why their company used foreign ECA support in 2019, one U.S. exporter said, "When EXIM [could not provide long-term support], we had to find a way to get our clients' needs financed. We experienced foreign ECAs heavily marketing themselves towards us."<sup>151</sup>

EXIM's customers focused their comments on two areas that provided the means for them to engage with foreign ECAs: content policies and non-Arrangement programs. Numerous exporters and lenders reported that other ECAs continued to be flexible with their foreign content policies and are willing to support U.S. content via their untied programs in exchange for soft commitments to work to procure from or source suppliers from the

<sup>148</sup> 12 U.S.C. § 635g-1(a)(1)

<sup>149</sup> EXIM, "Official EXIM Competitiveness Report 2019 Exporter and Lender Survey"

<sup>150</sup> EXIM exporter focus group, March 2020; EXIM lender focus group, March 2020

<sup>151</sup> EXIM exporter focus group, March 2020

foreign ECA's country in the future. Foreign ECAs have announced this type of support publicly. Foreign buyers also shared their observations on the topic. At a 2019 export finance conference in Asia, a major Bangladeshi borrower described his company's experience with SERV, the Swiss ECA, describing its support as "aggressive" even though the main exporter was a U.S. company. The borrower stated, "GE is now a Swiss company, who knew?" He added that ECAs are usually slow and impose many terms and conditions on borrowers, but SERV was very responsive.

*"[E]ach year, SACE will consider guaranteeing credit lines from third parties for the sale of Boeing aircraft (this year, up to 1.25 billion US dollars), in order to support Boeing's contracts and subcontracts with Italian firms specialized in precision aeronautical components. SACE's commitment will be evaluated every year and adjusted accordingly to the supplies that Boeing will allocate to Italian companies." – SACE<sup>152</sup>*

Additional comments from focus groups and the exporter and lender survey included the following:<sup>153</sup>

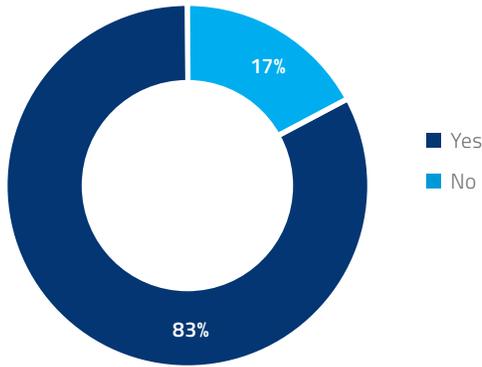
- "Since Ex-Im Bank went silent, **other ECAs are actively pursuing my company.**"
- "Foreign ECAs are actively seeking to bring US exporters like [us] into their fold."
- "Foreign ECAs are very welcoming to US companies like [ours] and they have taken steps to make their programs more widely available and accessible."
- "Prior to 2015, more than 80 percent of our ECA-supported sales were EXIM-supported. Over the last five years, the amount of our ECA-supported financing actually increased, but EXIM was only a footnote. We expanded relationships and agreements with other ECA partners, and we made new ones. Like many others, **we discovered how easy it was to use these other ECAs.**"
- "You've seen other ECAs suddenly supporting lots of U.S. exporters. For the big exporters, they might have been able to find other financing after shifting their supply chain. But middle market exporters do not have the ability to shift their supply chain as much."
- "There has been an adjustment of the supply chains but also an adjustment of the offerings from ECAs."
- "Foreign ECAs we worked with were very responsive to the exporter's needs and are very forward-leaning to support any transaction that benefits their country's jobs and exports."
- "It's not only the small or large U.S. exporters, but also the project companies **shifting their outreach to wider swath of ECAs to source elsewhere.** They didn't have these existing relationships, but they are willing to make them."
- "Some exporters have an international footprint so that they can pick and choose ECA programs that are more **flexible.**"
- "[EXIM has] been out of the business for five years. Companies adapted, banks switched their business, and **in the meantime other ECAs have stepped up. All the European ECAs stepped up. They've lowered their content requirements; they've supported U.S. exporters.**"
- "Since EXIM was not fully operational, we had to **shift production from the U.S. to factories in other countries** and therefore the engagement [with foreign ECAs] increased."
- "Congress keeping Ex-Im Bank closed means that **we shifted [sourcing] to [the] U.K., Canada, and Italy.**"
- "The marketing engine is so large for some of these other ECAs, that they attract borrowers, exporters, because they're really going out there."

152 SACE, "SACE (CDP Group) and Boeing reach agreement for up to \$1.25 billion of SACE guarantees to finance new aircraft purchases," <https://www.sacesimest.it/en/media/sace--and-boeing-reach-agreement-for-up-to-USD1.25-billion-of-sace-guarantees-to-finance-new-aircraft-purchases>

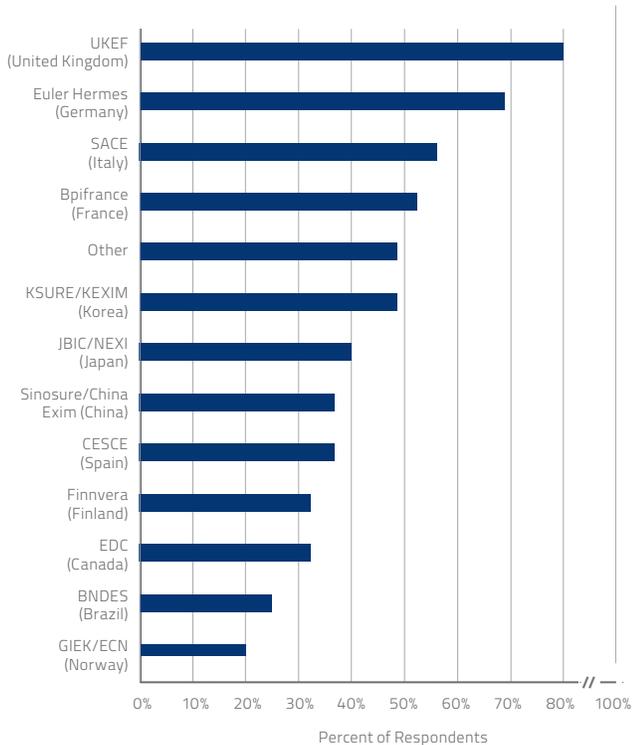
153 Each quote presented in the rest of this Section is a direct quote from a participant in either EXIM's exporter focus group or EXIM's lender focus group, or is taken verbatim from a response to EXIM's Official EXIM Competitiveness Report 2019 Exporter and Lender Survey. All quotes from EXIM's survey are presented as written, with emphasis added.

**Figure 14: Sampling of Responses from EXIM’s 2019 Exporter and Lender Survey<sup>154</sup>**

Q10: Did your company work on a transaction with another Export Credit Agency (ECA) besides EXIM? (i.e., did another ECA finance the export of your company’s product or guarantee a loan from your bank).



Q11: With which foreign ECAs did your company do business? (Choose all that apply)



Other ECAs specified include EKN (Sweden), SERV (Switzerland), EKF (Denmark), OeKB (Austria), Credendo (Belgium), Atradius (Netherlands), Hungary EXIM (Hungary), KUKE (Poland), ECIC (South Africa), and Turk EXIM (Turkey).

Source: EXIM exporter and lender survey

Exporters and lenders also provided feedback on EXIM’s re-entry to the long-term market and advised how EXIM’s policies, programs, and processes could be improved to be more competitive with those of foreign ECAs taking the approach outlined above. As reported last year, exporters and lenders felt that, now that EXIM has a restored board quorum and has received a historic seven-year reauthorization, there are significant changes EXIM must make to become competitive and to fulfill its mission.

**Feedback on EXIM Policies**

Stakeholder feedback regarding the competitiveness of EXIM’s policies was reminiscent of that in past years. First, exporters and lenders described EXIM’s foreign content policy as the strictest among ECAs globally and, as such, makes EXIM less competitive than foreign ECAs. Separately, exporters and lenders again reported that EXIM’s local-cost policy is still perceived as more competitive than that of foreign ECAs. Finally, EXIM’s customers continued to believe that the U.S. flag shipping requirement hinders EXIM’s competitiveness. While there were too many comments on these issues to present them all in this section, the overwhelming consensus from the survey, focus groups, and other engagements with stakeholders can be captured in the following comments:

- “Content Requirements are **far too high** and using U.S.-Flagged vessels makes U.S. exports **uncompetitive from a price standpoint.**”
- “US content rules and MARAD requirements are often a **non-starter.**”
- “Bank’s staff are terrific. Content policies make the program **unworkable.**”
- “Content policy remains the **biggest hurdle** we face when looking to bring U.S. Ex-Im into a financing. In many instances, we have the ability to contract with a project from many different offices around the globe in an effort to take advantage of ECA support from that host country. **The content rules employed by these ECAs are generally much more flexible than U.S. Ex-Im Bank** and the administrative hurdles needed to verify content during the post-

<sup>154</sup> Figures 14 and 15 depict responses provided to EXIM’s Exporter and Lender Survey. Not all respondents answered each question, and for the purposes of maintaining respondents’ confidentiality, the number of respondents of each question has been removed.

closing disbursement period are cumbersome and frustrating...**It is frustrating to see because we find ourselves working more closely with foreign ECAs to get our deals financed.**"

- "We're seeing an increasing trend in allowing for product that's shipping from a third country as eligible. Euler Hermes, EKF and SACE accept invoices from subsidiaries in third countries as content."
- "[EXIM's local cost policy and its ability to support 30 percent of the aggregate U.S. export contract value] is one of the **strengths of Ex-Im vs other ECAs.**"
- "[EXIM's local cost policy and its ability to support 30 percent of the aggregate U.S. export contract value is] [o]ne of the **best policies that EXIM has.** In part mitigates the strict U.S. content rules."
- "**U.S. Ex-Im's content policy must change if it is to remain competitive in today's ECA landscape.**"
- "Exim is far less flexible in supporting foreign costs than all other ECAs. **This is the primary reason why suppliers and lenders are likely to look elsewhere** before approaching Exim for support."
- "We are aware of companies **moving procurement to European countries due to more flexible treatment** for third country content."
- "EXIM has far more restrictive foreign content policies compared to ALL other ECAs in the world – **a major negative.**"
- "This [U.S. flag shipping requirement] is **an issue unique to Exim** – no other ECA has it."

#### Feedback on EXIM Products and Programs

While some of EXIM's policies were seen as uncompetitive, EXIM's products, programs and staff were seen as advantageous, despite EXIM's absence from the LT market for almost four years.

- "One of the **main advantages** of EXIM is having the **capacity to offer direct lending that some of the other ECAs don't have.**"

- "**Ex-Im's guaranteed loans have always been among the most competitively priced products across the ECA landscape.** Many borrowers are willing to deal with some of Ex-Im's more frustrating aspects (content policy, economic impact assessments, etc.) because the economics at the end of the day justify this effort. **Direct loans are also competitive** as well given Ex-Im's ability to fund CIRR directly from the US Treasury."
- "**EXIM has the best project/structured finance team** of ... the eight or so ECAs we have worked with."
- "**Ex-Im's greatest strength in project finance has always been the experience of its loan officers and attorneys who specialize in project finance.** They have typically been **much more capable of analyzing and structuring complex transactions** and would frequently take the lead in marshalling other less experienced ECAs through due diligence and negotiations."

*"[W]ith 100% US government-backed cover, enormous capacity, reach and market leading expertise in key areas, US Exim has the potential to be a leading ECA for us...US Exim has strengths in terms of size, capacity and quality of their guarantee, though some issues remain for us around the treatment and calculation of US content. The nature of global supply chains tends to mean that, by US Exim's definition, US content of a finished good can frequently fall below the 85% high water mark. I am working to see what we can do to bring US Exim into our transactions to continue to support US content while bringing in others from the private market to support the non-US content component in our transactions, thereby 'crowding in' the private market to these deals. I would like to see a program where Exim would maintain 100% coverage to the lender of the 85% contract value, while independently offloading the non-US content related risk" – Tim Gaul, global export finance director, export and agency finance, Caterpillar<sup>155</sup>*

155 TXF, Keynote: Caterpillar on spreading the ECA umbrella, <https://www.txfnews.com/News/Article/6998/Keynote-Caterpillar-on-spreading-the-ECA-umbrella>

**Feedback on EXIM Processes and Overall Approach**

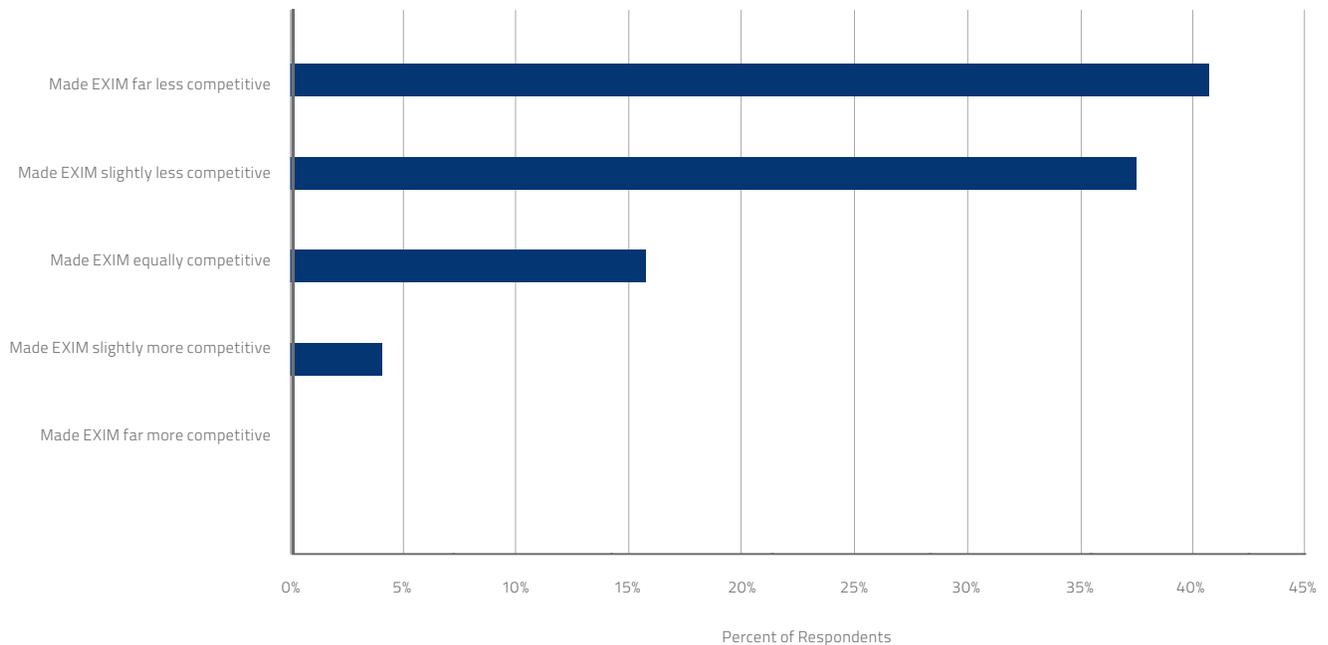
EXIM's internal processes and overall approach were viewed in the same light as some of its policies. That is, survey respondents and focus group participants said foreign ECAs have become nimbler and adept at processing applications quickly and smoothly in recent years, leaving EXIM's case processing uncompetitive.

- **"China is not always the cheapest, but they are certainly the simplest."**
- **"Price, tenors, policies, procedures, and process matter nowadays. It's a combination of different things that make an ECA proposal relevant."**
- **"Processes are too slow and applications too long and cumbersome. African countries choose China because they are easier and more accessible than Ex-Im Bank (not because they are always cheaper.)"**

- **"EXIM staff is fantastic, but customers overall see BPI[France] as having an easier, streamlined process."**
- **"[Foreign ECAs have] [t]rue agency independence, political uncertainty [is] not a factor."**
- **"UKEF has a much faster approval process, and more flexible foreign content requirements."**
- **"The Bank did nothing while it was shut down except add an additional layer of management while other ECAs sought to flatten their organization."**

**Figure 15: Responses from EXIM's 2019 Exporter and Lender Survey**

Q17: How did EXIM's ease of doing business impact EXIM's competitiveness with other ECAs?



# Appendices

---

## Required Reporting and Further Reading

EXIM's Charter requires that the Competitiveness Report provide Congress with certain information, as reflected in the following appendices.<sup>156</sup> The appendices also provide readers with additional background on key policies or topics that impact EXIM's competitiveness vis-à-vis foreign ECAs and useful references for those who want to learn more about official export financing.

**Appendix A:** Actions to Provide Competitive Financing and to Minimize Competition in Government-supported Export Financing

**Appendix B:** Purpose of EXIM transactions

**Appendix C:** Equal Access for U.S. Insurance

**Appendix D:** Tied Aid Credit Program and Fund

**Appendix E:** Co-financing

**Appendix F:** Renewable Energy Exports

**Appendix G:** Size of EXIM Program Account

**Appendix H:** Services Exports

**Appendix I:** Export Finance Cases Not in Compliance with the Arrangement

**Appendix J:** Activities Not Consistent with the WTO Agreement on Subsidies and Countervailing Measures

**Appendix K:** U.S. Flag Shipping Requirements

**Appendix L:** Trade Promotion Coordinating Committee

**Appendix M:** List of Known Export Credit Providers

---

<sup>156</sup> 12 U.S.C. § 635g 1

# EXIM Actions to Provide Competitive Financing and to Minimize Competition in Government-supported Export Financing

## Providing Competitive Financing

EXIM's Charter directs EXIM to "provide guarantees, insurance, and extensions of credit at rates and on terms and other conditions which are fully competitive with the government-supported rates and terms and other conditions available for the financing of exports of goods and services from the principal countries whose exporters compete with United States exporters, including countries of which the governments are not members of the Arrangement."<sup>157</sup> Section 8A(a) of the Charter requires EXIM to provide description of the actions of the Bank in complying with these mandates.<sup>158</sup>

As described in the Introduction, EXIM follows the terms outlined in the OECD Arrangement. Under the Arrangement, EXIM has usually met its mandate to provide competitive financing. EXIM is able to offer the maximum repayment terms, minimum interest rates, and minimum premium rates the Arrangement allows. These factors vary depending on, among other things, country risk, the obligor's risk profile, the project's sector, etc.

Maximum repayment terms vary depending on the income level of the borrower's country and the nature of the goods being exported. General transactions (i.e.

those not covered by one of the Arrangement's Sector Understandings) qualify for a maximum term of 8.5-10 years, with the lower bound being the maximum term for transactions in High Income markets. Exceptions to the standard include: project finance (10-14 years); renewable energy and nuclear power plants (18 years); commercial aircraft (12 years); and rail infrastructure (12-14 years).<sup>159</sup>

The Arrangement also sets rules for the minimum interest rate Participants can offer when providing direct loans. The minimum rate, referred to as the Commercial Interest Reference Rate (CIRR), is based on the currency and tenor of the loan. The U.S. Dollar CIRR that EXIM offers for most direct loans is calculated by adding a fixed margin of 100 basis points to one of the following three yields (the base rates):<sup>160</sup>

1. Three-year U.S. Treasury bond yields for a loan with a repayment term up to and including five years,
2. Five-year U.S. Treasury bond yields for a loan with a repayment term over five and up to and including 8.5 years, or
3. Seven-year U.S. Treasury bond yields for a loan with a repayment term over 8.5 years.<sup>161</sup>

<sup>157</sup> 12 U.S.C. § 635(b)(1)(A)

<sup>158</sup> 12 U.S.C. § 635g-1(a)

<sup>159</sup> More information on the detailed terms of the Arrangement can be found here: OECD, "Arrangement and Sector Understandings," <http://www.oecd.org/trade/topics/export-credits/arrangement-and-sector-understandings/>

<sup>160</sup> CIRRs for renewable energy and nuclear projects, and aircraft follow separate rules. More information on the detailed terms of the Arrangement can be found here: OECD, "Arrangement and Sector Understandings," <http://www.oecd.org/trade/topics/export-credits/arrangement-and-sector-understandings/>

<sup>161</sup> OECD, "Arrangement on Officially Supported Export Credits – Construction of CIRR," [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?doclanguage=en&cote=tad/pg\(2020\)1](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?doclanguage=en&cote=tad/pg(2020)1)

*“EXIM preparedness to offer CIRR is a source of **competitive advantage** for EXIM,” – Survey Respondent<sup>162</sup>*

*“**Generally EXIM’s direct loan program at CIRR rates is attractive,**” – Survey Respondent<sup>163</sup>*

As for premium rates, as the OECD explains, “Premium is charged in addition to CIRRs, as it is meant to cover the risk of non-repayment of the export credits. The Premium rates depend on the level of risk, which includes the country risk ..., time at risk and the political and commercial risk covered.”<sup>164</sup>

As mentioned, with respect to Arrangement rates and terms, EXIM has usually met its mandate to provide competitive financing. Over the past decade, however, the volume of official financing not covered by the Arrangement has increased significantly. Within the broader official finance market, EXIM faces considerable challenges facilitating a level playing field. EXIM cannot directly compare the terms and conditions it offers to the terms and conditions offered under these trade-related finance programs because information on these terms is not available. EXIM has anecdotal evidence that indicates the terms offered under these programs are more generous than those allowed under the Arrangement (e.g., longer repayment terms, lower interest rates, 100 percent financing).<sup>165</sup>

Moreover, with the increasingly flexible domestic content requirements ECAs are using, for example, exporters and lenders have found the “other conditions” of EXIM financing (i.e., EXIM policies) to be generally uncompetitive. For more details on this feedback, see Section 2: Stakeholder Views.

### **Minimizing Competition in Government-supported Export Financing**

The Charter also states that “The Bank shall, in cooperation with the export financing

instrumentalities of other governments, seek to minimize competition in government-supported export financing and shall, in cooperation with other appropriate United States Government agencies, seek to reach international agreements to reduce government subsidized export financing.”<sup>166</sup>

With regard to minimizing competition in government-supported export financing, over the past year and a half, EXIM – in cooperation with other U.S. Government agencies – negotiated with other Participants to reform the CIRR system. These reforms will harmonize the operational practices of OECD ECAs. Additionally, the new operational standards OECD ECAs will use when making direct loans will level the playing field for U.S. exporters by requiring other countries to tighten their underwriting standards to match EXIM’s practices.

In seeking to reach international agreements to reduce government subsidized export financing, EXIM has supported the effort jointly initiated by the United States and China in 2012, the International Working Group on Export Credits (IWG), which is a multilateral effort that seeks to develop a single framework to discipline official export finance provided by both OECD and non-OECD countries, the latter of which include China, India, and Russia. This framework would be the successor to the Arrangement, which exempts adherents from liability under the WTO’s Agreement on Subsidies and Countervailing Measures (ASCM) for official export credit transactions that comply with its terms. As a number of non-OECD countries do not adhere to the Arrangement, developing a set of guidelines that apply to non-OECD countries is critical to leveling the playing field for U.S. exporters. Despite the continued efforts of the United States, progress in IWG negotiations remains slow due to continued opposition to core principles involving transparency, scope of application, and debt sustainability from certain non-OECD countries, namely China, India, and Russia.<sup>167</sup>

<sup>162</sup> EXIM, “Official EXIM Competitiveness Report 2019 Exporter and Lender Survey”

<sup>163</sup> Ibid.

<sup>164</sup> OECD, “Financing Terms and Conditions,” <http://www.oecd.org/trade/topics/export-credits/arrangement-and-sector-understandings/financing-terms-and-conditions/>

<sup>165</sup> The Arrangement requires a 15 percent down payment. Exporters and lenders have reported to EXIM that trade-related financing offered by other countries often does not have this same requirement.

<sup>166</sup> 12 U.S.C. § 635(b)(1)(A)

<sup>167</sup> The U.S. delegation is led by the Department of the Treasury and includes the Department of Commerce, the Department of State, and the Export-Import Bank of the United States. In addition to the United States, IWG members include Australia, Brazil, Canada, China, the European Commission, India, Indonesia, Israel, Japan, Malaysia, New Zealand, Norway, Russia, South Africa, South Korea, Switzerland, and Turkey.

Appendix B

# Purpose of EXIM Transactions

Pursuant to Section 8A(a)(4) of EXIM's Charter, the agency gathers "a description of all Bank transactions which shall be classified according to their principal purpose, such as to correct a market failure or to provide matching support."<sup>168</sup> Applicants indicate the reason for seeking EXIM support on their EXIM financing application. EXIM aggregates applicant responses into three main categories for reporting purposes: (1) to counter potential ECA competition, (2) to address private sector financing limitations, and (3) to address when the private sector is unwilling to take risks. Figure 16 below reports one purpose, the primary purpose, per transaction by program in 2019. Although only the primary purpose is reported here, applicants may cite multiple purposes.

In 2019, EXIM began a formal review of its additionality policies and procedures.<sup>169</sup> EXIM sought public comments on its proposed guidelines for determining additionality in MLT beginning in September 2019. On May 22, 2020, EXIM's Board of Directors unanimously approved guidelines to strengthen the agency's determination of additionality and a resolution which underscores "the importance of ensuring that EXIM provides competitive financing to U.S. exporters while supplementing, not competing with, private capital."

**Figure 16: EXIM Transactions by Purpose, 2019**

	Potential Competition		Private Sector Limitations		Private Sector Unwilling to Take Risks		Total	
	Volume (USD Millions)	Count	Volume (USD Millions)	Count	Volume (USD Millions)	Count	Volume (USD Millions)	Count
Long-Term Loan	\$5,000	1	\$ -	0	\$ -	0	\$5,000	1
Medium-Term Loan	\$9	1	\$ -	0	\$ -	0	\$9	1
Medium-Term Guarantee	\$56	8	\$103	7	\$92	29	\$251	44
Medium-Term Insurance	\$12	3	\$ -	0	\$62	58	\$73	61
Short-Term Insurance	\$ -	0	\$1,747	1,570	\$250	416	\$1,996	1,986
Working Capital	\$ -	0	\$ -	0	\$644	160	\$644	160
<b>TOTAL</b>	<b>\$5,077</b>	<b>13</b>	<b>\$1,850</b>	<b>1,577</b>	<b>\$1,048</b>	<b>663</b>	<b>\$7,974</b>	<b>2,253</b>

Source: EXIM

168 12 U.S.C. § 635g-1(a)(4)

169 Additionality refers to the existence of reasons why a transaction would not go forward without EXIM's support.

# Equal Access for U.S. Insurance

Section 2(d)(4) of EXIM's Charter requires the agency to report in the Competitiveness Report those transactions for which the agency had information that an opportunity to compete was not available to U.S. insurance companies.<sup>170</sup> Section 2(d)(2) of the EXIM Charter states that "the bank shall seek to ensure that United States insurance companies are afforded an equal and nondiscriminatory opportunity to provide insurance against risk of loss" in connection with long-term transactions valued \$25 million or more.<sup>171</sup>

At the time the legislation was enacted, EXIM had neither encountered nor been informed about any long-term transaction for which equal access for U.S. insurance companies was not afforded. Consequently, EXIM, the Department of Commerce, and the Office of the United States Trade Representative agreed that the establishment of a formal reporting mechanism was not necessary. It was also agreed that should EXIM identify any long-term transaction in which U.S. insurance companies are not allowed equal access, a more formalized procedure would be created. As of December 2019, EXIM had not identified any long-term transactions greater than \$25 million in which U.S. insurance companies were not allowed equal access.

---

<sup>170</sup> 12 U.S.C. § 635(d)(4)

<sup>171</sup> 12 U.S.C. § 635(d)(2)

## Appendix D

# Tied Aid Credit Program and Fund

## Summary

Section 10(g) of EXIM's Charter requires EXIM to provide an annual report on several aspects of EXIM and foreign ECA use of tied aid.<sup>172</sup> This appendix addresses:

1. The tied aid reporting requirements of EXIM's Charter; and
2. The competitiveness issues pertaining to the use of tied and untied aid. In creating EXIM's Tied Aid Credit Program and Fund, Congress recognized in EXIM's Charter that tied and untied aid can be predatory methods of financing that can distort trade to the detriment of U.S. exporters.

In 2019, the total amount of OECD tied aid activity reached approximately \$14.4 billion, increasing by about 9 percent from 2018 volumes to become a new record high volume since 1995.<sup>173</sup> Although the degree and scope of competitive concerns have been greatly diminished since 1991 by the introduction of the OECD Arrangement rules on tied aid, U.S. exporters still face competitive challenges in certain circumstances that result from foreign tied aid offers. As such, growing volumes of tied aid globally need to be monitored for potential competitive implications for U.S. exporters.

A description of the current tied aid activity and competitive implications follows.

## Overview and Background

Tied aid is concessional funding provided by a donor government that requires (in law or in fact) that the funding be used for the procurement of goods or services from the donor country. Unlike export credits, tied aid is subsidized support and its terms are more generous than standard export credits. Therefore, tied aid can distort trade flows by inducing a buyer in

the recipient country to make its purchasing decisions on the basis of the most favorable financial terms, rather than the best price, quality, or service of the product. Tied aid providers pursue developmental and strategic objectives with the provision of tied aid that also benefits their national exporters.

## Description of the Implementation of the Arrangement

Section 10(g)(2)(A) of EXIM's Charter requires EXIM to report on the implementation of the Arrangement rules on tied aid, specifically on the operation of the rules, including a description of the notification and consultation procedures.<sup>174</sup> Competitive concerns and level playing field considerations led Participants to the OECD Arrangement to require countries to submit notifications of tied aid offers to the Participants to the Arrangement 30 days in advance of the bid closing or commitment date. This allows OECD ECAs to review and, if needed, to match foreign tied aid offers that are either noncompliant with OECD rules or that are otherwise competing with standard export credit support. This level of transparency has worked well because it has served to redirect tied aid from commercially viable to less viable, or development-oriented, sectors. As such, no tied aid offers have been challenged since 2009. Regarding consultation procedures, no tied aid projects have been examined by the Consultation Group on Tied Aid since the 2009 challenge. No changes have been made to the notifications procedures, and no matching offers were notified in 2019.

<sup>172</sup> 12 U.S.C. § 635i-3(g)

<sup>173</sup> In light of updated reporting, 2018 data has been revised.

<sup>174</sup> 12 U.S.C. § 635i-3(g)(2)(A)

#### Box 4: Tied Aid and Blended Finance

In some countries, ECAs provide tied aid, while in others, aid agencies or other ministries provide it. Tied aid offers can take various forms:

- Grants
- “Soft” (i.e., concessional) loans, which are loans bearing a low interest rate, extended grace period, and/or a long repayment term
- Mixed credits (a grant provided alongside a standard export credit), where the concessional funds are available only if the linked non-concessional component is accepted by the recipient

Today, the term “blended finance” is garnering a lot of attention in the development community. Blended finance can refer to a combined financing package that involves public and private financing, and/or that involves concessional and non-concessional financing. While tied aid has usually involved an official institution providing funds to a public entity, it does not always combine concessional and non-concessional parts of a financing package. When it has, this has been considered a mixed credit, a form of tied aid referred to above. Mixed credits caused huge competitive concerns in the 1980s and 1990s, around the time the OECD tied aid rules were agreed. Governments saw mixed credits as a way

to sweeten the financing package for the borrower, while ensuring orders of domestic procurement but not giving away too much in the form of grants or concessional loans.

Today, Chinese ECAs, for example, are not subject to the tied aid rules of the Arrangement and are known to pair export credits with concessional financing, in order to offer foreign buyers a more attractive financing package. This has put greater pressure on OECD ECAs to “blend” concessional and non-concessional financing support to achieve such attractive financing packages in an effort to compete with China. As a result, EXIM has seen OECD ECAs using mixed credits proactively in competitive situations and labeling these financing packages as “blended finance.”

Congress recognized this growing area of focus in EXIM’s 2019 reauthorization, mandating that EXIM establish a program to provide “fully competitive” financing rates, terms and conditions that “directly neutralize export subsidies for competing goods and services financed by **official export credit, tied aid, or blended financing provided by the People’s Republic of China...**”(or by any other countries designated by the Secretary of the Treasury that are not Participants to the Arrangement and do not comply with its terms).<sup>175</sup>

<sup>175</sup> 12 U.S.C. § 635(l)(1)

### EXIM Tied Aid Activity

Section 10(g)(2)(C) of EXIM’s Charter requires a description of EXIM’s use of the Tied Aid Credit Fund<sup>176</sup>. EXIM did not make use of its Tied Aid Credit Fund in 2019. EXIM strictly applies the OECD Arrangement rules on tied aid and is more stringent than most other OECD members. This reflects longstanding U.S. government policy for EXIM not to initiate— only to match—specific foreign tied aid offers under certain circumstances where U.S. exporters are at a competitive disadvantage. EXIM has not authorized any matching offers since 2010 and has only authorized two tied aid offers since 2002.

### Foreign ECA Tied Aid Activity

Section 10(g)(2)(B) of EXIM’s Charter requires a description of foreign tied aid activity.<sup>177</sup> This reporting has been separated into OECD and non-OECD activity.<sup>178</sup>

### OECD ECA Activity

The tied aid rules of the OECD Arrangement define four types of tied aid, described here below with the related activity levels for 2019, which, when combined, reached a total of approximately \$14.4 billion.<sup>179</sup>

1. First, a tied aid offer that has a concessionality level of greater than or equal to 80 percent is considered highly concessional. This type of tied aid is more costly to the donor country and more closely resembles a grant than tied aid with a lower level of concessionality does. As such, highly concessional tied aid is more developmental in nature and less likely to be trade-distorting. In 2019, highly concessional tied aid totaled \$6.22 billion, representing an increase in volume of approximately 87 percent from 2018.<sup>180</sup>

2. Second, *de minimis* tied aid is an offer of tied aid that has a value of less than 2 million SDR.<sup>181</sup> Given the small ticket size, competitive concerns are minimized. In 2019, *de minimis* tied aid totaled roughly \$0.7 million, remaining roughly equal to 2018 volumes.

3. Third, Least Developed Countries (LDCs), as defined by the United Nations, are not a typical market for export credits and tied aid to these countries requires 50 percent concessionality. As such, it is considered less likely to pose competitiveness implications. In 2019, tied aid to LDCs totaled \$2.6 billion, representing an increase in volume of slightly more than 15 percent from 2018.

4. All other tied aid activity is the core type of tied aid and is known as “Helsinki-type tied aid.” Because Helsinki-type tied aid has the highest potential for competitiveness concerns and potentially negative implications for a level playing field, the Arrangement requires 35 percent concessionality and directs this type of tied aid to commercially non-viable projects. Helsinki-type tied aid decreased by more than 25 percent to approximately \$5.7 billion in 2019.<sup>182</sup>

Although the OECD tied aid disciplines have helped diminish the degree and scope of competitiveness concerns by redirecting tied aid away from commercial projects in high-income markets to developmental projects in lower-income markets, the record high volumes of tied aid seen in 2017 and again in 2019 is an important trend to monitor.

Specific trends from 2019 include:

- Japan has always been the OECD leader in providing tied aid and 2019 was no different. In 2019, Japanese tied aid offers made up more than half of all Helsinki-type tied aid.

176 12 U.S.C. § 635i-3(g)(2)(C)

177 12 U.S.C. § 635i-3(g)(2)(B)

178 In light of updated reporting, 2018 data has been revised.

179 Figures are as of December 31, 2019 and based on tied aid offers notified to the OECD prior to commitment. As such, it is possible that some of these offers did not reach the commitment stage.

180 In light of updated reporting, 2018 data has been revised.

181 Tied and untied aid data is reported to the OECD in Special Drawing Rights (SDRs). Based on data from the IMF, in 2019 \$1 was approximately equal to 0.724 SDR.

182 See Methodological Note in the Introduction for a description of EXIM’s data collection activities.

- Although few in number, given the large volume of tied aid offered for each project, Japan's support contributed to the high concentration of tied aid provided to the Indo-Pacific region and Sub-Saharan Africa. Major recipients of Japanese tied aid in 2019 were Kenya, the Philippines, and Sri Lanka, which each received between 20 and 30 percent of Helsinki-type tied aid volumes. One large offer to a project in Kenya brought a larger focus back to the African continent, following years of most Helsinki-type tied aid offers concentrated in the Indo-Pacific region. However, given the single project driving these volumes, a trend cannot yet be identified.
- Korea was once again the second-largest provider of Helsinki-type tied aid, yet in 2019 Korea's tied aid volume was half the volume provided by Japan.
- Major European providers in 2019 included Spain and Austria, which offered significantly less tied aid than the Asian ECAs, as has historically been the case.
- As in previous years, almost all providers offered Helsinki-type tied aid with an average concessionality level that was at or just above the required 35 percent threshold. This suggests that the vast majority of providers prefer to offer terms and conditions that meet and marginally exceed the minimum concessionality level, without being more costly.<sup>183</sup>

### Non-OECD Tied Aid Activity

OECD tied aid rules and transparency requirements do not apply to tied aid offers from non-OECD countries. U.S. exporters have expressed competitiveness concerns regarding concessional offers from non-OECD countries, particularly China. Despite the numerous allegations, however, there has been only one formal application for support submitted to EXIM, in 2010, in which EXIM agreed to provide a matching offer on the basis of credible information on Chinese terms that went beyond standard Arrangement terms but were not highly subsidized.

In 2019, although EXIM did receive a couple of inquiries involving Chinese competition, EXIM did not receive any complete applications for matching that included similar information on a foreign financing offer that would lead EXIM to consider a matching offer on a transaction.<sup>184</sup>

Per Section 10(g)(2)(D) of EXIM's Charter, EXIM has continued to support the United States' efforts in the IWG to combat predatory financing practices of foreign governments, including China, as described in Appendix A.<sup>185</sup>

### OECD Untied Aid

In light of historical concerns regarding *de facto* tying of aid, the Arrangement requires that governments report trade-related untied aid to the Participants to the Arrangement 30 days prior to the opening of the bidding period. Furthermore, due to competitiveness concerns, Participant countries have committed to reporting untied aid credits prior to and following commitment in their Agreement on Untied ODA (Official Development Assistance) Credits Transparency. This agreement was first put in place in 2005.

Historically, a small subset of OECD countries has provided trade-related untied aid. These countries have provided untied aid volumes that have historically been higher than those of tied aid. Trade-related untied aid had been on the rise since 2014, but in 2017 untied aid volumes fell by 33 percent to approximately \$11.4 billion. This was the first year since 2004 that trade-related untied aid volumes were lower than total tied aid volumes in the same year. As in 2018, untied aid offers once again decreased, totaling just over \$9 billion in 2019, and continuing the trend of trailing the volume of tied aid offers. As with tied aid, and consistent with previous years' untied aid volumes, Japan offered the vast majority of the OECD untied aid, followed by France.<sup>186</sup>

<sup>183</sup> See Methodological Note in the Introduction for a description of EXIM's data collection activities.

<sup>184</sup> While EXIM did not receive any formal and complete applications requesting that EXIM match concessional financing offers made by foreign governments, EXIM routinely receives inquiries and anecdotal information from U.S. exporters and lenders regarding competing offers. However, due to the high degree of opacity with which the Chinese official institutions operate, concrete information about an offer's specific terms and conditions EXIM may be asked to match is often difficult to come by.

<sup>185</sup> 12 U.S.C. § 635i-3(g)(2)(D)

<sup>186</sup> See Methodological Note in the Introduction for a description of EXIM's data collection activities.

Appendix E

# Co-financing

Section 8A(a)(7) requires that EXIM provide a description of the co-financing programs of the Bank and of the other major export-financing facilities.<sup>187</sup> Co-financing is a financing arrangement that allows EXIM to address some of the challenges that U.S. exporters face when an export contains content from multiple countries. Specifically, co-financing is a tool that streamlines official export credit support into a one-stop financing package (a guarantee or insurance) to support transactions that include content from the U.S. and one or more other countries. With co-financing, the lead ECA provides the applicant (buyer, bank, or exporter) with export credit support for a single transaction. Behind the scenes, the follower ECA provides reinsurance (similar to a counter-guarantee) to the lead ECA for the follower ECA's share of the export transaction.

EXIM currently has bilateral co-financing framework agreements with 16 ECAs (see Figure 17); these agreements allow EXIM to enter more readily into co-financed transactions with those ECAs. In 2019, EXIM expanded its existing framework agreement with NEXI (Japan) to be reciprocal (where previously only EXIM could lead). Additionally, EXIM can enter into one-off, case-specific co-financing agreements with other ECAs if no bilateral framework agreement is in place. While EXIM offers co-financing as a flexibility to U.S. exporters whose goods and services have less than 85 percent U.S. content,<sup>188</sup> most foreign ECAs use co-financing to manage their country-specific exposure limits.<sup>189</sup> With limited exceptions, all G-7 ECAs have co-financing framework agreements with each other and increasingly with a wider scope of ECAs that includes non-OECD ECAs.

**Figure 17: List of ECAs with which EXIM has Bilateral Framework Agreements**

	Country	ECA
1	Canada	EDC
2	United Kingdom	UKEF
3	Italy	SACE
4	France	BPIFrance
5	Czech Republic	EGAP
6	Germany	Euler Hermes
7	Netherlands	Atradius
8	Denmark	EKF
9	Japan	JBIC
10	Japan	NEXI
11	Switzerland	SERV
12	Spain	CESCE
13	Australia	EFIC
14	Israel	ASHRA
15	Turkey	Turk Exim*
16	Korea	KEXIM**

Source: EXIM

\*EXIM always leads under the bilateral framework agreements with Turk Exim.

\*\*EXIM's bilateral framework agreement with KEXIM is limited to cargo aircraft.

A list of all co-financing transactions EXIM supported in 2019 is shown in Figure 18.

187 12 U.S.C. § 635g-1(a)(7)

188 EXIM will support the lesser of (i) 85 percent of the Net Contract Price, or (ii) 100 percent of the U.S. content.

189 EXIM does not have exposure limits by country or geographic region.

**Figure 18: EXIM Co-Financed Transactions 2019**

No.	Co-financing ECA	EXIM Lead or Follow	Market	Sector	Financed Amount
1	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$743,010
2	EDC (Canada)	Lead	Costa Rica	Agricultural Aircraft	\$750,100
3	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$751,740
4	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$761,345
5	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$764,589
6	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$767,661
7	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$769,235
8	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$772,034
9	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$772,786
10	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$774,501
11	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$779,685
12	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$789,273
13	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$816,253
14	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$819,549
15	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$847,320
16	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$862,906
17	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$892,143
18	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$898,342
19	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$910,010
20	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$911,005
21	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$914,803
22	EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$936,734
23	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$944,914
24	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$983,189
25	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$984,096
26	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$985,771
27	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$992,282
28	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$1,000,076
29	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$1,005,857
30	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$1,011,849
31	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$1,018,157
32	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$1,024,234
33	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$1,196,126
34	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$1,249,814
35	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$1,279,723
36	EDC (Canada)	Lead	Chile	Agricultural Aircraft	\$1,617,901
37	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$1,854,365
38	EDC (Canada)	Lead	India	Printing Press	\$2,402,958
39	EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$3,637,408
40	EGAP (Czech Republic)	Lead	Brazil	Agricultural Aircraft	\$870,346
41	EGAP (Czech Republic)	Lead	Brazil	Agricultural Aircraft	\$891,432
42	NEXI (Japan)	Lead	Honduras	Tortilla Chip Manufacturing Line	\$8,278,901
43	SACE (Italy)	Lead	Ghana	Paper Processing Equipment	\$1,464,890
44	SACE (Italy)	Lead	Saudi Arabia	Industrial Lifts	\$1,865,041
45	UKEF (United Kingdom)	Follow	South Africa	Large Aircraft	\$10,379,000
46	UKEF (United Kingdom)	Follow	Multiple	Aircraft Engine Maintenance	\$10,459,000
47	UKEF (United Kingdom)	Follow	Multiple	Aircraft Engine Maintenance	\$12,297,862
				<b>Total</b>	<b>\$87,700,216</b>

Source: EXIM

Appendix F

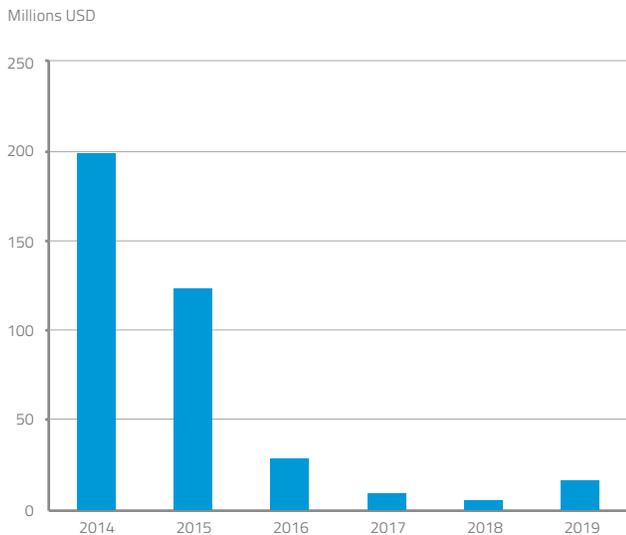
# Renewable Energy Exports

## EXIM Activity in 2019

### Authorizations

Although this report focuses on MLT activity in calendar year 2019, EXIM’s Charter in Section 8A(a) (5) refers to reporting total renewable energy authorizations on a fiscal year basis.<sup>190</sup> Figure 19 shows total EXIM authorizations in fiscal year 2019, including short-term authorizations, which totaled \$18.9 million. This was a dramatic increase from FY2018 (\$5.32 million) and years prior, due to the restoration of the quorum on EXIM’s Board of Directors allowing EXIM to authorize long-term transactions in 2019. Nearly 100 percent of the renewable energy exports EXIM supported in 2019 were associated with small businesses.<sup>191</sup>

**Figure 19: EXIM’s Total Renewable Energy Authorizations by Fiscal Year**



Source: EXIM

190 12 U.S.C. § 635g-1(a)(5)

191 EXIM, “2019 Annual Report,” [https://www.exim.gov/sites/default/files/reports/annual/2019/EXIM\\_2019%20AnnualReport\\_508C\\_Web.pdf](https://www.exim.gov/sites/default/files/reports/annual/2019/EXIM_2019%20AnnualReport_508C_Web.pdf)

192 12 U.S.C. § 635(b)(1)(K)

193 EKF, “EKF Annual Report 2019,” <https://ekf.dk/annual-report/2019/index.html#>

### Export Promotion

EXIM also conducted promotional activities as required by Section 2(b)(1)(k) of EXIM’s Charter.<sup>192</sup> EXIM participated in a number of key industry conferences and events, and met and established relationships with a number of U.S. exporters in the renewable energy sector in order to make U.S. exporters aware of the products EXIM offers. EXIM also continued to maintain relationships with existing customers in the sector.

Beyond meetings and calls with leading exporters and global project developers, staff undertook a business development initiative to meet with a number of the leading exporters in the San Francisco Bay Area in March 2019. Staff participated in a number of renewable energy trade events including Windpower2019; the Micro-Grid Summit; Solar Power/Energy Storage International 2019; and International Financing Roundtable at National Electrical Manufacturers Association. Staff also participated in a number of USTDA Reverse Trade Missions, briefed the Secretary of Commerce’s Renewable Energy & Energy Efficiency Advisory Committee on EXIM’s capabilities, and participated in the Middle East Strategic Alliance Energy Working Group Meeting at the State Department that included a number of Ambassadors and Energy Ministers from countries in the Middle East.

### Foreign ECA Activity

As in past years, Denmark (EKF) and Germany (Euler Hermes) led the vast majority of official export credit support for renewable energy. EKF reported that, in 2019, wind projects alone comprised 86 percent of EKF’s new commitments, totaling approximately \$2.2 billion.<sup>193</sup>

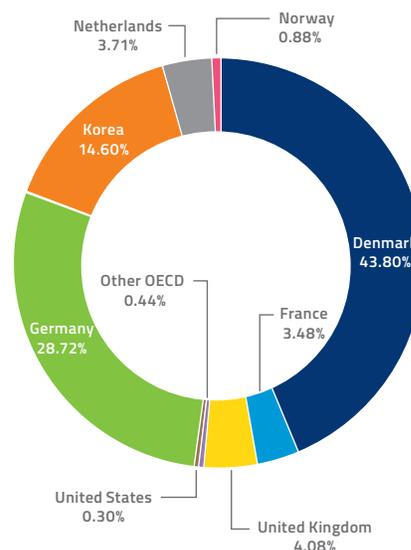
One major renewable energy project supported by official export credit support received significant attention in 2019. The Formosa 2 project in Taiwan reached financial close in October 2019.<sup>194</sup> The 376MW offshore wind project will use 47 Siemens Gamesa turbines.<sup>195</sup> The entire project financing is 62.4 billion TWD (USD 2 billion) financed by more than 20 financial institutions. This deal is unique due to the large volume financed in local currency, using the maximum repayment term under the OECD Arrangement's Renewable Energy, Climate Change Mitigation and Adaptation and Water Projects Sector Understanding (18 years), with diverse sources of funding from local, regional, and international banks. According to Global Trade Review, K-SURE (Korea), Credendo (Belgium), EKF (Denmark), and UKEF (United Kingdom) provided financing for this project, alongside 20 commercial banks.<sup>196</sup>

*"[Formosa 2] sets a new record for the number of financial institutions and export credit agencies mobilised in a single transaction" – Société Générale<sup>197</sup>*

The Formosa 2 project was not the only wind project in Taiwan that received ECA financing from multiple OECD ECAs in 2019. Other major wind projects in Taiwan (ChangFang and Xidao OffShore Wind Farm, and the Yunlin Wind Farm) received large volumes of ECA support, from many of these same OECD ECAs and others.<sup>198,199,200</sup> Although EKF and Euler Hermes are still the clear leaders in OECD ECAs' support in this sector, the large projects in 2019 paved the way for additional OECD ECAs not historically as heavily involved in renewable energy support, such as UKEF, to increase their share of support for renewable energy, as shown in Figure 20.<sup>201</sup>

*"We have a big role to play in the renewables industry in the UK." – Louis Taylor, chief executive, UK Export Finance<sup>202</sup>*

**Figure 20: OECD ECAs' 2019 Renewable Energy Commitments by Volume Share**



Source: OECD

194 Global Trade Review, "GTR Best Deals 2020," <https://www.gtreview.com/magazine/volume-18-issue-2/gtr-best-deals-2020/>

195 Siemens Gamesa, "Taiwanese 376 MW Formosa 2 offshore wind project set for launch," <https://www.siemensgamesa.com/en-int/newsroom/2019/10/191028-siemens-gamesa-of-tw-formosa-2>

196 Global Trade Review, "GTR Best Deals 2020," <https://www.gtreview.com/magazine/volume-18-issue-2/gtr-best-deals-2020/>

197 Ibid.

198 Ibid.

199 TXF, "Taiwanese offshore wind: Shaking the local bank funding tree," <https://www.txfnews.com/News/Article/6929/Taiwanese-offshore-wind-Shaking-the-local-bank-funding-tree>

200 JBIC, "Taiwan / Loan Insurance for Changfang and Xidao Offshore Wind Farm Project," <https://www.nexi.go.jp/en/topics/newsrelease/2020011002.html>

201 See Methodological Note in the Introduction for a description of EXIM's data collection activities.

202 TXF, "Keynote: The busy-busy post Brexit world of UKEF," <https://www.txfnews.com/News/Article/6921/Keynote-The-busy-busy-post-Brexit-world-of-UKEF>

## Appendix G

# Size of EXIM Program Account

Section 8A(a)(6) requires that EXIM report on its program account and compare it to that of the size of the program accounts of the other major export-financing facilities.<sup>203</sup>

When expected cash disbursements exceed expected cash receipts, there is an expected net outflow of funds, resulting in a cost to the agency. This cost is sometimes referred to as subsidy or program cost. EXIM is required to estimate this cost annually and to seek budget authority from Congress to cover that cost. New loans and guarantees with a program cost cannot be committed unless sufficient program budget authority is available to cover the calculated credit cost. Congress has appropriated \$0 in program costs since fiscal year 2015.

Information on the program accounts of other countries' major export financing programs is unavailable. As such, EXIM does not have any recommendations with respect to the relative size of the program account, based on factors including whether the size differences are in the best interests of the United States taxpayer.

However, given EXIM's new mandate to establish a program to provide "fully competitive" financing that "directly neutralize[s] export subsidies" by China (see Box 1), EXIM is evaluating its resources as it works to establish this new program.

<sup>203</sup> 12 U.S.C. § 635g-1(a)(6)

# Services Exports

According to Section 8A(a)(8) of EXIM's Charter, EXIM must report on the participation of the agency in providing financing for services exports, including information on the involvement of other major export-financing facilities and an explanation of the differences among the facilities.<sup>204</sup> EXIM supports U.S. services exports through all of its programs.

EXIM authorized \$665 million in services exports in 2019, a significant increase from the \$79 million supported in 2018. The vast majority – 88 percent (\$587 million) – of EXIM's support for services exports in 2019 was attributed to one long-term transaction: a \$5 billion direct loan for a Mozambique LNG transaction. Although EXIM's short- and medium-term programs make up a much smaller portion of its 2019 service activity, their activity level was comparable with recent years. EXIM authorized \$54 million (8 percent of EXIM's 2019 support for services exports) in 75 short-term transactions for services exports. Only four medium-term transactions totaling \$25 million (4 percent) supported service exports.

Associated services are services that are included with the sale of a good or goods, such as engineering and consulting services. Associated services made up over 91 percent (\$605 million) of EXIM's activity in the service sector, a sharp break from the trend over the past several years. In 2018, associated services made up only 21 percent of all service exports. This reversal is due to EXIM's ability to once again authorize long-term, high-value transactions, which often include both goods and services exports.<sup>205</sup> This was shown in the Mozambique LNG project finance transaction, where the export of equipment was accompanied by large amounts of engineering and consulting services.

The large Mozambique LNG facility naturally made Oil & Gas & Mining the top services sector with a total of \$261 million supported. This transaction also supported large amounts of Administrative and Support services (\$131 million) and Engineering and Consulting services (\$118 million), primarily through various exports in staffing services and consulting. Other notable sectors include: Legal and Banking (\$59 million), Management services (\$53 million), and Transportation services (\$11 million).

Foreign ECA policies pertaining to support for services exports as such are evolving in tandem with ECA content policies. That is, to the extent that ECAs expand the scope of exports eligible for support beyond domestically-manufactured goods, eligibility of associated services exports follows. Based on available information, the top three services exports supported by OECD ECAs in 2019 were engineering and consulting (including procurement), IT and telecommunications (including software), and construction (including commissioning and installation). However, since services can be embedded within contracts that primarily involve goods, EXIM does not have clear visibility into all of the services supported by OECD ECAs. With that caveat, the best available information indicates that in 2019, the United Kingdom, Italy, and Japan were the top three finance providers for contracts that included a services component. There were eight OECD countries that financed over \$1 billion in contracts that included a services component.<sup>206</sup>

204 12 U.S.C. § 635g-1(a)(8)

205 Due to EXIM's inability to authorize transactions greater than \$10 million in calendar years 2016, 2017, and 2018, EXIM authorized more financing for stand-alone services than associated services.

206 See Methodological Note in the Introduction for a description of EXIM's data collection activities.

## Appendix I

---

# Export Finance Cases Not in Compliance with the Arrangement

Section 8A(a)(9) requires EXIM to provide detailed information on cases reported to EXIM of export financing that appear not to comply with the Arrangement or that appear to exploit loopholes in the Arrangement for the purpose of obtaining a commercial competitive advantage.<sup>207</sup>

EXIM was not aware of any official export credit financing provided in 2019 that was not in compliance with the Arrangement or that exploited “loopholes” in the Arrangement.

---

<sup>207</sup> 12 U.S.C. § 635g-1(a)(9)

# Activities Not Consistent with the WTO Agreement on Subsidies and Countervailing Measures

Section 8A(a)(10) requires EXIM to provide a description of the extent to which the activities of foreign export credit agencies and other entities sponsored by a foreign government, particularly those that are not members of the Arrangement appear not to comply with the Arrangement and appear to be inconsistent with the terms of the WTO Agreement on Subsidies and Countervailing Measures (ASCM), and a description of the actions taken by the United States Government to address the activities.<sup>208</sup>

The United States Trade Representative (USTR) leads negotiations for the U.S. government at the WTO and EXIM defers to USTR on any determination regarding compliance with WTO agreements. EXIM is not aware of any U.S. Government determination regarding non-compliance with the ASCM.

---

<sup>208</sup> 12 U.S.C. § 635g-1(a)(10)

## Appendix K

# U.S. Flag Shipping Requirement

Public Resolution 17 (PR-17), enacted March 26, 1934 and reaffirmed in Public Law 109-304 on October 6, 2006, expresses the sense of Congress that ocean-borne exports financed by the U.S. government shall be transported on U.S.-flag vessels.<sup>209</sup> Shipping on U.S.-flag vessels is required for U.S. ocean-borne exports supported by (1) EXIM loans (of any size); (2) guaranteed transactions that are over \$20 million (excluding the exposure fee); or (3) transactions that have a greater than seven-year repayment term (unless the export qualifies for a longer repayment term under EXIM's special initiatives such as support for medical exports, transportation security, or environmentally-beneficial exports).<sup>210</sup> This U.S.-flag shipping requirement creates revenue-generating activities for U.S.-flag carriers and experience for crews to ensure an effective merchant marine industry able to maintain the flow of waterborne domestic and foreign commerce during wartime or national emergency. Responses to the Official EXIM Competitiveness Report 2019 Exporter and Lender Survey, and comments made in the 2019 focus groups, indicate that EXIM is the only ECA that is required by law to have EXIM-financed cargo be shipped on national flag carriers. However, according to the U.S. Department of Transportation's U.S. Maritime Administration (MARAD), U.S. shipping companies noted that foreign project sponsors look to their national flag carriers – not international flag carriers – to ship their capital equipment.

Of note, according to MARAD, the U.S. shipping industry representatives reported that EXIM's absence from the LT market in recent years had impacted U.S. industry competitiveness not only in the loss of revenue reported above, but also in the following ways:

1. U.S. flag carriers reported that EXIM's absence from the long-term market has meant an "automatic default to the foreign supply chain." Specifically, U.S. flag carriers reported that they had lost clients to Asian flag carriers, citing that Chinese and Korean companies are gaining greater experience in a wider range of foreign ports while U.S. capabilities are declining.<sup>211</sup>
2. U.S. flag carriers have not been able to fully employ their vessels and merchant mariners given the lack of U.S. shipments. As such, merchant mariner availability and the U.S. international fleet capacity is declining.
3. As foreign ECAs often look to their national flag carriers to ship their capital equipment, competitive pressure on U.S. flag carriers was exacerbated in 2019 due to EXIM's partial absence from the LT market.

<sup>209</sup> 46 U.S.C. § 55304

<sup>210</sup> When PR-17 was enacted, EXIM only offered direct loans. Subsequently, EXIM and MARAD agreed that PR-17 would apply to EXIM-guaranteed transactions that were equivalent to direct loans. A 2004 Memorandum of Understanding (MOU) signed by EXIM and MARAD revised the parameters for applying PR-17 to guaranteed transactions raising the threshold from \$10 million to \$20 million.

<sup>211</sup> To date, no EXIM ECA counterpart has reported any formal requirement for national flag shipping as a condition.

EXIM's inability to authorize transactions greater than \$10 million from July 2015 to May 2019 significantly diminished the relevance of PR-17 to EXIM transactions. However, with the restoration of a board quorum, EXIM is once again able to authorize transactions that will support U.S. flag shipping. In 2019, EXIM authorized one transaction subject to PR-17, a \$5 billion direct loan for a LNG facility in Mozambique.<sup>212</sup> No shipments have yet taken place under that authorization, however, according to the MARAD, PR-17-impelled shipments related to transactions authorized in prior years (one located in Zambia and the other in Turkey) generated approximately \$2.1 million in revenue for U.S. carriers during 2019.<sup>213,214</sup> This revenue, however, is less than 6 percent of the \$35.4 million earned by U.S.-flag carriers in 2014 when EXIM was last fully operational and able to authorize long-term transactions.<sup>215</sup>

---

212 Prior to 2019, EXIM had not authorized any transactions subject to PR-17 since 2016.

213 Shipments under authorizations supporting large projects often occur over several years.

214 MARAD

215 EXIM, "Report to the U.S. Congress on Global Export Credit Competition, June 2015," [https://www.exim.gov/sites/default/files/reports/EXIM%202014CompetReport\\_0611.pdf](https://www.exim.gov/sites/default/files/reports/EXIM%202014CompetReport_0611.pdf)

Appendix L

# Trade Promotion Coordinating Committee

## Background

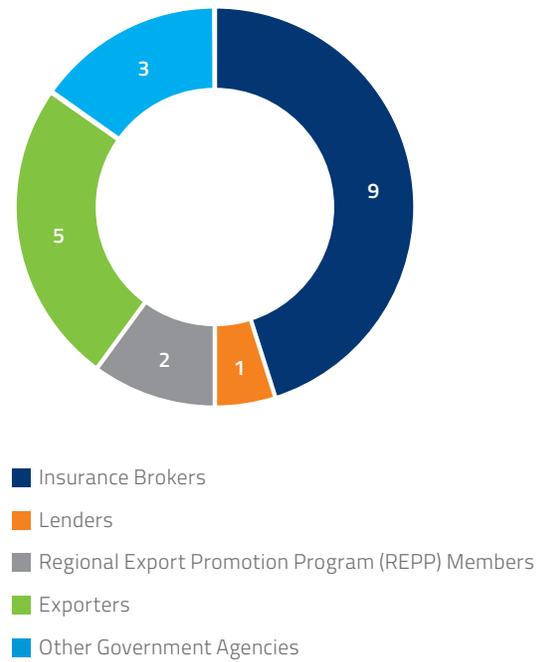
Section 8A(a)(2) of the Charter requires EXIM to report on its role in the Trade Promotion Coordinating Committee (TPCC), an interagency group mandated by Congress to provide a unifying framework to coordinate the export promotion and export financing activities of the U.S. Government and U.S. states, as well as to develop a comprehensive plan for implementing strategic priorities. The TPCC serves as the coordinating body designed to ensure that U.S. federal trade agencies act together and in coordination to establish priorities,<sup>216</sup> coordinate new programs and initiatives, improve service delivery and customer service, and leverage resources and eliminate duplication.

Top priorities of TPCC agencies are providing actionable information, training, and counseling to U.S. businesses, especially small and medium-sized businesses, to begin exporting or expand international sales. EXIM is primarily involved with the TPCC's priorities related to the following areas:

1. Expanding access to export financing by educating more financial institutions and corporations about U.S. Government financing options and streamlining access,
2. Supporting state and local entities seeking to expand regional exports, and
3. Connecting exporters and potential foreign buyers by providing tailored assistance and information.

## Activities and Accomplishments For 2019

Figure 21: Quarterly Training at EXIM Headquarters in 2019



Source: EXIM

<sup>216</sup> 12 U.S.C. § 635g-1(a)(2)

In 2019, as part of its outreach effort, EXIM held quarterly training programs at headquarters in Washington, D.C., training various customers and stakeholders, as shown in Figure 21. In addition, EXIM staff in the Office of Small Business, working out of the 12 regional offices and headquarters, hosted or attended some 577 outreach events. These events included monthly seminars held jointly with the Department of Commerce's (DOC) U.S. Commercial Service and the SBA for small business exporters in the Metropolitan Washington, DC area. These educational outreach sessions provide one-stop shopping for SMEs interested in learning about exporting or seeking to expand their export business.

EXIM also participated in webinars with the U.S. Commercial Service, SBA, and state and local economic development agencies to educate large audiences on the opportunities for growth through exporting. In particular, EXIM participated in the TPCC "Go Global" webinar series held during World Trade Month in May 2019 to promote resources and services that support small business exporters. This series drew an audience of approximately 1,200 small businesses.

EXIM's outreach to small business benefited from an active and expanding Regional Export Promotion Program (REPP), a synergetic partnership between EXIM and entities that seek to expand exports of local businesses. To bring attention to this important partnership, EXIM promoted the REPP in various forums, such as the annual meeting of State International Development Organizations (SIDO), the 2019 National Small Business Exporter (NASBITE) Summit Meeting and International Conference, and the America's Small Business Development Centers (SBDC) Conference. Partnerships are typically with state, county, city governments; local nonprofit economic development entities funded through universities or colleges; Small Business Development Centers (SBDC), and world trade centers. Three new participants joined the REPP in 2019, bringing total membership to 57.

EXIM's customers, especially small businesses, benefit from the agency's Working Capital Guarantee Program (WCGP), and two new banks located in Maine and Florida were approved as Delegated Authority

Lenders in 2019. These additional eligible lenders will help expand the reach of this program, which is a valuable source of liquidity for small business exporters. Four lenders located in Texas, Mississippi, Oregon and Ohio were approved for an increased level of delegated authority, which expands their ability to respond to customers' requests for support under EXIM's WCGP.

EXIM's annual 2-day conference in Washington, D.C. provided a forum for additional outreach. TPCC members' participation contributed to the event's success by staffing exhibitor booths and being readily available throughout the conference to engage with attendees that included domestic suppliers, foreign buyers, financial institutions and other stakeholders large and small about programs, resources and opportunities for U.S. export sales. In turn, EXIM also supported events promoted by TPCC partners. The DOC's International Buyer Program (IBP), a joint government-industry effort that brings international buyers to the United States for business-to-business matchmaking with U.S. firms exhibiting at major industry trade shows, provided a venue for EXIM to leverage its outreach. The DOC mobilizes its worldwide workforce to pre-screen and facilitate foreign buyers' participation in supported events, and EXIM uses IBP venues to brief exhibitors and foreign buyers on EXIM's programs and provide some direct business counseling.

In 2019, the DOC's Global Energy Team recruited 15 foreign delegations for the Offshore Technology Conference (OTC) in Houston, Texas. The OTC is one of the largest annual energy-focused events and provides a venue for energy professionals to exchange ideas and advance scientific and technical knowledge regarding offshore resources and environmental matters. Similarly, the team also recruited 22 foreign delegations for Gastech Exhibition and Conference, the premier international meeting of the global gas, LNG, and energy community, which was also held in Houston, Texas in 2019. EXIM participated in many of the hundreds of Business-to-Business (B2B) and Business-to-Government (B2G) meetings that the DOC organized at these events.

In 2019, EXIM was extensively involved in efforts,

in consultation with the TPCC, to promote the expansion of exports to sub-Saharan Africa.<sup>217</sup> The cornerstone of these efforts has been the ongoing Power Africa initiative, and, since December 2018, a new Presidential initiative, Prosper Africa. This new initiative was launched to promote free, fair, and reciprocal economic relationships between the U.S. and Africa and to substantially increase two-way trade and investment. EXIM is playing an active role in developing an effective strategy to accomplish the objectives of both these important initiatives and expand the presence of U.S. small, medium, and large exporters in the region. In April, EXIM signed a MOU with Angola's Ministry of Finance to increase goods and services trade. In May, the U.S. Senate's confirmation of a Board quorum helped give further impulse to EXIM's business development efforts toward Africa. EXIM's Board gave high priority to appointing experts to serve on its 11-member Sub-Saharan Africa Advisory Committee. The committee advises EXIM's Board of Directors "on the development and implementation of policies and programs designed to support the expansion" of EXIM's engagement in sub-Saharan Africa.<sup>218</sup> Additionally, in May 2019, EXIM Chairman Kimberly A. Reed, led the U.S. presidential delegation for the inauguration of the President of the Republic of South Africa, Mr. Matamela Cyril Ramaphosa, advancing the robust trade relationship with South Africa, which is the largest destination market in Africa for U.S. exports. During this trip, Chairman Reed also travelled to Cabo Verde and met with the country's Secretary of State for Finance to discuss the importance of specific economic sectors, including maritime and aviation infrastructure and small businesses. A subsequent bilateral meeting was held in Washington, D.C. to continue this important dialogue. In September 2019, Chairman Reed participated in a roundtable discussion

in New York City held in conjunction with the United Nations General Assembly (UNGA) and highlighted how EXIM support for American exports creates economic growth and prosperity in both the United States and Africa. Delegations from Angola, Cote d'Ivoire, the Democratic Republic of the Congo, Kenya, Senegal, and South Africa attended the event. In October, Chairman Reed signed a MOU with the Senegal's Minister for the Economy, Planning and Cooperation to cement our intention to work toward capacity building in Senegal, two-way trade, and investment.

During 2019, EXIM also worked to strengthen ties with financial institutions across the African continent, including the African Export-Import Bank (Afreximbank) and the African Development Bank (ADB), per its Charter mandates.<sup>219</sup> In October, a productive meeting took place between Chairman Reed and the President and Chair of Afreximbank that explored options for collaboration. Additionally, EXIM continued its outreach and support for the Corporate Council on Africa, whose Chairman and CEO is a member of EXIM's Sub-Saharan Advisory Committee.

EXIM also remained at the center of interagency efforts to promote U.S. exports and counter foreign competition in African markets. EXIM continued to be actively engaged in coordinated efforts with the U.S. Foreign Service of the State Department, Foreign Commercial Service of the Department of Commerce, USTDA, USAID, and other U.S. government entities to encourage American commercial engagement and exports to Africa. As part of the interagency coordination, EXIM played a key leading role in the "Deal Team" initiative established under the auspices of the Departments of State and Commerce with U.S. embassies across the continent. EXIM also participated in meetings of the President's Advisory Council on Doing Business in Africa, deepening engagement with the U.S. business community to

<sup>217</sup> 12 U.S.C. § 635(b)(6)

<sup>218</sup> EXIM, "Sub-Saharan Africa Advisory Committee," <https://www.exim.gov/about/leadership/sub-saharan-africa-advisory-committee>

<sup>219</sup> 12 U.S.C. § 635(b)(9)(C)(i)

identify ways to expand commercial ties between the United States and Africa. Additionally, in November 2019, EXIM participated at the U.S.-Egypt Future Prosperity Forum in conjunction with the 40th anniversary of the U.S.-Egypt Business Council's founding and organized by the U.S. Chamber of Commerce in partnership with AmCham Egypt. Staff also participated in the Investment for Africa Forum in conjunction with the Departments of State and Commerce, and the DFC.

It is noteworthy that EXIM's activity in the sub-Saharan region increased significantly in 2019. EXIM authorized 85 transactions. Authorizations under the working capital, insurance, and loan guarantee

programs exceeded \$68 million, including over \$35 million in medium-term insurance and loan guarantees to support capital equipment exports to Tanzania, Nigeria, and Ghana, locomotives to Cameroon, and aircraft to South Africa. Additionally, EXIM approved two preliminary commitments to support a possible \$13 million export of locomotives to Cameroon and \$86 million in financing for U.S. exports of services and electrical and renewable-energy equipment to support Senegal's rural electrification efforts. EXIM's Board also authorized a \$5 billion long-term direct credit to support U.S. goods and services exports for the engineering, procurement, and construction of an onshore LNG plant and related facilities in Mozambique.

Appendix M

# List of Known Official Export Credit Providers<sup>220</sup>

No.	Country	Name	Acronym
1	Algeria	Compagnie Algerienne D'Assurance et de Garantie des Exportations	CAGEX
2	Armenia	Export Insurance Agency of Armenia	EIAA
3	Argentina	Banco de Inversion y Comercio Exterior	BICE
4	Australia	Export Finance and Insurance Corporation	EFIC
5	Austria	Oesterreichische Kontrollbank AG	OeKB
6	Austria	Austria Wirtschaftsservice	AWS
7	Bangladesh	Sadharan Bima Corporation	SBCE
8	Barbados	Central Bank of Barbados: Export Credit Insurance Scheme	N/A
9	Belarus	EXIMGARANT of Belarus	EXIMGARANT
10	Belgium	Credendo Group	Credendo Group
11	Belgium	The Brussels Guarantee Fund (Fonds Bruxellois de Garantie)	FBG
12	Bosnia and Herze- govina	Export Credit Agency of Bosnia and Herzegovina	IGA
13	Botswana	Export Credit Insurance & Guarantee Company	BECI
14	Brazil	Brazilian Development Bank	BNDES
15	Bulgaria	Bulgarian Export Insurance Agency	BAEZ
16	Cameroon	Fonds d'Aide et de Garantie des Credits aux Petites et Moyennes Entreprises	FOGAPME
17	Canada	Export Development Canada	EDC
18	Chile	La Corporación de Fomento de la Producción	CORFO
19	China	Export-Import Bank of China	China EXIM Bank
20	China	China Export and Credit Insurance Corporation	Sinosure
21	China - Hong Kong	Hong Kong Export Credit Corporation	HKEC/ECIC
22	Colombia	Banco de Comercio Exterior de Colombia	Bancoldex
23	Colombia	Fondo Nacional de Garantías S.A.	FNG
24	Croatia	Hrvatska banka za obnovu i razvitak (HBOR)	HBOR
25	Czech Republic	Česká exportní banka, a.s.	CEB
26	Czech Republic	Export Guarantee and Insurance Corporation	EGAP
27	Dominican Republic	National Bank for Exports	BANDEX
28	Denmark	Eksport Kredit Fonden	EKF
29	Ecuador	Corporacion Financiera Nacional Fondo de Promocion de Exportaciones	CFN
30	Egypt	Export Credit Guarantee Company of Egypt	ECGE
31	Estonia	Kredex Krediidikindlustus	KredEx
32	Ethiopia	Development Bank of Ethiopia, Export Credit Guarantee and Special Fund Administration Bureau	DBE
33	Finland	Finnvera	Finnvera
34	Finland	Finnish Export Credit Ltd.	FEC
35	France	BPIFrance Assurance Export	BPIFrance

<sup>220</sup> These are official export credit programs that, to the best of EXIM's knowledge, existed in 2019 and that EXIM has been made aware of (through its research and international engagements) at the time of publication. Many of these providers primarily operate ST programs and, as such, not all are direct competitors in the MLT market.

No.	Country	Name	Acronym
36	France	Societe de Financement Local	SFIL
37	Germany	Export Credit Guarantee Scheme of the Federal Republic of Germany (Hermes Cover)	Euler Hermes
38	Germany	KfW IPEX Bank	KfW
39	Ghana	Ghana Export-Import Bank	Ghana EXIM
40	Greece	Export Credit Insurance Organisation	ECIO
41	Hungary	Hungarian Export Credit Insurance Ltd	MEHIB
42	Hungary	Hungarian Export-Import Bank Plc.	EXIM Hungary
43	India	Export Credit Guarantee Corporation of India	ECGC
44	India	Export-Import Bank of India	I-Eximbank
45	Indonesia	Indonesian Eximbank	LPEI
46	Indonesia	PT. Asuransi Ekspor Indonesia	PT ASEI
47	Iran	Export Development Bank of Iran	EDBI
48	Iran	Export Guarantee Fund of Iran	EGFI
49	Israel	Israel Export Insurance Corp. Ltd	ASHRA
50	Italy	Servizi Assicurativi del Commercio Estero S.p.A.	SACE
51	Italy	Cassa Depositi e Prestiti	CDP
52	Jamaica	EXIM Bank Jamaica	EXIM Bank J
53	Japan	Japan Bank for International Cooperation	JBIC
54	Japan	Nippon Export and Investment Insurance	NEXI
55	Jordan	Jordan Loan Guarantee Cooperation	JLGC
56	Kazakhstan	Eximbank Kazakhstan	Eximbank Kazakhstan
57	Kazakhstan	KazExportGarant	KazExportGarant
58	Latvia	SIA Latvijas Garantiju aģentūra (Latvian Guarantee Agency Ltd)	LGA ALTUM
59	Lithuania	Investiciju ir Verslo Garantijos	INVEGA
60	Luxembourg	Office du Ducroire	ODL
61	Macedonia	Macedonian Bank for Development Promotion AD Skopje	MBDP
62	Malaysia	Export-Import Bank of Malaysia Berhad	MEXIM
63	Mexico	Banco Nacional de Comercio Exterior, SNC	Bancomext
64	Morocco	Caisse Centrale de Garantie	CCG
65	Namibia	Development Bank of Namibia	DBN
66	Netherlands	Atradius Dutch State Business	Atradius
67	Netherlands	Netherlands Enterprise Agency	NEA
68	New Zealand	New Zealand Export Credit Office	NZECO
69	Nigeria	Nigerian Export-Import Bank	NEXIM
70	Norway	Export Credit Norway	ECN
71	Norway	Garanti-instituttet for eksportkreditt, GIEK	GIEK
72	Oman	Export Credit Guarantee Agency of Oman (S.A.O.C)	ECGA Oman
73	Peru	Corporacion Financiera de Desarrollo	COFIDE
74	Philippines	Philippine Export-Import Credit Agency	PhiEXIM
75	Poland	Korporacja Ubezpieczeń Kredytów Eksportowych	KUKE
76	Poland	Bank Gospodarstwa Krajowego	BGK
77	Portugal	Companhia de Seguro de Créditos	COSEC
78	Qatar	TASDEER (managed by the Qatar Development Bank)	TASDEER/QDB
79	Romania	Eximbank of Romania	EXIM R
80	Russia	Export Insurance Agency of Russia	EXIAR
81	Russia	Export Import Bank of Russia	Russia EXIM
82	Russia	Bank for Development and Foreign Economic Affairs (Vnesheconombank)	VEB

## Appendices

No.	Country	Name	Acronym
83	Saudi Arabia	Saudi Export Program	SEP
84	Senegal	Société Nationale d'Assurances du Crédit et du Cautionnement	SONAC
85	Serbia	Serbian Export Credit and Insurance Agency	AOFI
86	Singapore	Entireprise Singapore	ES
87	Slovakia	Export-Import Bank of the Slovak Republic	EXIMBANKA SR
88	Slovenia	Slovenska izvozna in razvojna banka	SID
89	South Africa	Export-Import Credit Insurance Corporation of South Africa	ECIC
90	South Korea	Export-Import Bank of Korea	KEXIM
91	South Korea	Korea Trade Insurance Corporation	K-SURE
92	Spain	Compañía Española de Seguros de Crédito a la Exportación (CESCE)	CESCE
93	Spain	Fondo para la Internacionalización de la Empresa	FIEM
94	Sri Lanka	Sri Lanka Export Credit Insurance Corporation	SLECIC
95	Sudan	National Agency for Insurance and Finance of Export	NAIFE
96	Swaziland	Central Bank of Swaziland: Export Credit Guarantee Scheme	N/A
97	Sweden	Exportkreditnämnden	EKN
98	Sweden	Svensk Exportkredit	SEK
99	Switzerland	Swiss Export Risk Insurance	SERV
100	Taiwan	Export-Import Bank of the Republic of China	TEBC
101	Tanzania	Export Credit Guarantee Scheme	ECGS
102	Thailand	Export-Import Bank of Thailand	Thai EXIMBANK
103	Trinidad and Tobago	Export-Import Bank of Trinidad & Tobago	Eximbank TT
104	Tunisia	Compagnie Tunisienne pour l'Assurance du Commerce Extérieur	COTUNACE
105	Turkey	Export Credit Bank of Turkey	Türk Exim
106	United Arab Emirates	Etihad Credit Insurance	ECI
107	United Arab Emirates	Export Credit Insurance Company of the Emirates	ECIE
108	Ukraine	Joint Stock Company The State Export-Import Bank of Ukraine	Ukreximbank
109	United Kingdom	Export Credits Guarantee Department (ECGD) a/k/a UK Export Finance	UKEF
110	United States of America	The Export Import Bank of the United States	EXIM
111	Uruguay	Banco de Seguros del Estado	BSE
112	Uzbekistan	Uzbekinvest National Export-Import Insurance Company	Uzbekinvest
113	Vietnam	The Vietnam Development Bank	VDB
114	Zambia	Development Bank of Zambia	DBZ
115	Zimbabwe	Export Credit Guarantee Company of Zimbabwe	ECGC Z

---

# Glossary

**Associated Service:** A service export that is related to the export of a good (e.g., transportation/logistical services related to the export of construction equipment).

**Authorization:** The approval of a transaction.

**Concessional Financing:** Financing that is extended on terms that result in a negative Net Present Value relative to an applied discount rate. The concessionality is achieved through interest rates below a reference discount rate, extended repayment terms, grace periods, or a combination of these.

**Credit:** An agreement by which one party is permitted to defer repayment of a financial obligation to another party over time (thus creating a debt obligation).

**Direct Lending:** Financing provided directly by an ECA to a borrower (in contrast to pure cover).

**Domestic Content:** The value of the export(s) under an export contract that were produced in the ECA's country.

**Export Credit:** A financial instrument which allows the buyer of a cross-border good or service to defer payment of that good or service through the creation of a debt obligation.

**Export Credit Agency (ECA):** An agency of or on behalf of a creditor country that provides Export Credit (or Export Credit cover), in the form of insurance, guarantees, loans, or interest rate support, for the export of goods and services.

**Foreign Content:** Any value of export(s) in an export contract (including both for goods or services) which is produced within any country other than the either the ECA's or the foreign buyer's country.

**Investment Support:** 1. Insurance or guarantee that indemnifies an equity investor or a bank financing the equity investment for losses incurred to a cross-border investment as a result of political

risks. 2. Insurance or guarantee that indemnifies the counterparty to a cross-border debt obligation for losses incurred by nonpayment by the debt obligor. The debt obligation is provided without any requirement that the capital be used to finance an export or international trade.

**Long-term Finance:** Export-financing transactions with repayment terms greater than seven years or for amounts greater than \$25 million.

**Market Window:** Official export financing that is commercially priced by setting all financing terms to market terms and conditions. This type of export finance falls outside the OECD Arrangement.

**Medium-Term Finance:** Export-financing transactions with repayment terms of up to seven years and for amounts up to \$25 million.

**Non-OECD Export Credit Agencies:** ECAs that are not Participants to the OECD Arrangement on Officially Supported Export Credits.

**OECD Arrangement:** An agreement that establishes transparency provisions and guidelines governing the financing terms and conditions of export credits provided by participating ECAs.

**OECD Notification:** Part of the transparency provisions under the OECD Arrangement which requires participants to inform the OECD Secretariat and other Participants of an offer under the OECD Arrangement.

**Offer:** ECA support extended in relation to an export contract prior to commitment, which may not materialize into a transaction.

**Premia (also known as exposure fee):** The amounts an ECA charges to cover the liabilities associated with expected losses (i.e. claims) resulting from the risk of nonpayment. It is a form of compensation for taking risk above risk-free investments such as government bonds.

**Project Finance:** The financing of an asset (or "project"), based on a non-recourse or limited-recourse financial structure whereby the lender relies on the underlying cash flows being generated by the asset as the source of repayment for the loan.

**Pure Cover:** Official support provided for an export credit in the form of guarantee or insurance only.

**Short-Term Finance:** Export financing with a repayment term less than two years. The OECD Arrangement rules do not apply to transactions with a repayment term of less than two years.

**Special Drawing Right (SDR):** The SDR is an international reserve asset created by the IMF in 1969 to supplement its member countries' official reserves. SDRs can be exchanged for freely usable currencies. The value of the SDR is based on a basket of five major currencies: the U.S. dollar, the euro, the Chinese renminbi, the Japanese yen, and the British pound sterling.

**Stand-alone Service:** A service export that is an export in and of itself (e.g., architectural or design services).

**Structured Finance:** The financing of a project that relies on the underlying project's revenues to ensure against the risk of nonpayment, but is not the sole source of repayment. The lender typically has recourse to the borrower in the case of non-payment.

**Tenor:** The term or length of time from initial loan repayment to maturity.

**Tied Aid:** Aid which is in effect (in law or in fact) tied to the procurement of goods and/or services from the donor country and/or a restricted number of countries, including loans, grants, or associated financing packages with a concessionality level greater than zero percent.

**Tied Export Support:** Support for an export credit for which the offer of support is predicated on the condition of procurement from one country or a limited number of countries.

**Transaction:** Confirmed ECA support for an export credit signified by issuing a final commitment.

**Untied Aid:** Financing with a concessionality level greater than zero of which the proceeds can be used freely to procure goods or services from any country.

**Untied Export Support:** Official export financing on non-concessional terms for which the offer of support is not predicated on the condition of procurement restrictions. This type of finance falls outside of the scope of the OECD Arrangement.

---

# Acronyms and Abbreviations

<b>ABC</b>	Agricultural Bank of China	<b>IDA</b>	Individual Delegated Authority
<b>ADB</b>	African Development Bank	<b>IMF</b>	International Monetary Fund
<b>ASCM</b>	WTO Agreement on Subsidies and Countervailing Measures	<b>IWG</b>	International Working Group on Export Credits
<b>ASU</b>	Aircraft Sector Understanding	<b>LNG</b>	Liquefied natural gas
<b>BOC</b>	Bank of China	<b>LT</b>	Long-Term
<b>BRI</b>	Belt and Road Initiative (formerly One Belt, One Road)	<b>MARAD</b>	U.S. Department of Transportation's U.S. Maritime Administration
<b>BRICS</b>	Brazil, Russia, India, China, and South Africa	<b>MLT</b>	Medium- and Long-Term
<b>CCB</b>	China Construction Bank	<b>MOU</b>	Memorandum of Understanding
<b>CDB</b>	China Development Bank	<b>MT</b>	Medium-Term
<b>CGD</b>	Center for Global Development	<b>O&amp;M</b>	Operation and Maintenance
<b>CSIS</b>	Center for Strategic and International Studies	<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>DOC</b>	Department of Commerce	<b>OIG</b>	EXIM Office of Inspector General
<b>DFC</b>	U.S. International Development Finance Corporation	<b>OPIC</b>	Overseas Private Investment Corporation
<b>DFI</b>	Development Finance Institution	<b>PR-17</b>	Public Resolution 17
<b>ECA</b>	Export Credit Agency	<b>REPP</b>	Regional Export Promotion Program
<b>EDFI</b>	Association of European Development Finance Institutions	<b>RFP</b>	Request for proposal
<b>EPC</b>	Engineering, Procurement, and Construction	<b>SBA</b>	Small Business Administration
<b>ESPG</b>	Environmental and Social Due Diligence Procedures and Guidelines	<b>SDR</b>	Special Drawing Rights
<b>G7</b>	Group of Seven Countries (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States)	<b>SME</b>	Small and Medium-Sized Enterprises
<b>G12</b>	Group of Twelve Countries (Brazil, Canada, China, France, Germany, India, Italy, Japan, Russia, South Korea, United Kingdom, and the United States)	<b>SOE</b>	State-owned Enterprise
<b>GFC</b>	Global Financial Crisis	<b>SPV</b>	Special purpose vehicle
<b>ICBC</b>	Industrial and Commercial Bank of China	<b>ST</b>	Short-Term
		<b>TPCC</b>	Trade Promotion Coordinating Committee
		<b>USTR</b>	United States Trade Representative
		<b>WCGP</b>	Working Capital Guarantee Program
		<b>WTO</b>	World Trade Organization



811 Vermont Avenue, NW  
Washington, DC 20571

800-565-3946

[www.exim.gov](http://www.exim.gov)