

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

June 2019

For the period January 1, 2018
through December 31, 2018



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From the President and Chairman



In compliance with the bank’s Charter, I am pleased to present the June 2019 Report to the U.S. Congress on Global Export Credit Competition of the Export-Import Bank of the United States (EXIM) for the calendar year (CY) 2018. In this annual study, known as the Competitiveness Report, EXIM meets its congressional mandate to report on how well the bank was able to compete with the other major export credit systems of the world in the previous calendar year.

However, in 2018, as in the previous two years, EXIM was unable to authorize board-level financings of greater than \$10 million (a level needed to support most long-term transactions) due to the lack of a quorum on EXIM’s board of directors that lasted from July 2015 until May 2019.¹ For this reason, EXIM was not a significant provider of medium- and long-term (MLT) official export credit in 2018. Consequently, a truly comparative analysis of the competitiveness of EXIM’s programs with other export credit systems was not possible to perform for this report.

The 2019 Competitiveness Report instead provides a broader view that has emerged during the 10-to-15-year period between the years before the Global Financial Crisis (“Then”) and 2018 (“Now”) that reveals a seismic shift in both the levels of MLT official export credit and investment support being provided and the terms under which it is provided.

¹ On May 8, 2019, the U.S. Senate voted to confirm three of President Donald J. Trump’s nominees to EXIM’s board of directors: me as president and chairman, and Spencer Bachus III and Judith D. Pryor as board members. With the board quorum restored, EXIM now is able to offer the full range of its products, including long-term financing to level the playing field for U.S. exporters in competition for large international projects. EXIM again can provide the export financing to meet the bank’s mission of supporting American jobs and equipping U.S. exporters with the tools needed to compete for global sales.

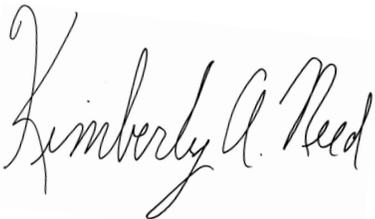
A key finding is that export-led growth is a priority of many governments, and export finance is a reliable “tool” of choice because of the effectiveness and profitability of these types of programs. Additionally, EXIM’s discussions with many officials of foreign governments have revealed that they find a structural financing gap in MLT export credit between a transaction’s creditworthiness and its commercial bankability; therefore, they view export credit agencies (ECAs) as a key strategic tool to fill that gap.

Moreover, the performance of China’s export credit system over this period has triggered the ECAs of other governments to react defensively to change their policies and programs or risk their exporters’ losing access to large swaths of global markets. The Chinese system is especially influential due to its size (\$39 billion in official export credits in 2018—larger than the next three ECAs combined), opacity and flexibility (China is not a party to any international rules on the provision of export credits), and its coordinated whole-of-government approach.

Responding at least in part to China’s aggressive approach, many governments are increasingly focused on national goals and forging long-term business partnerships to maximize their country’s export footprint. A significant number of foreign ECAs have seen their export-support missions evolve from leveling the playing field for their exporters to proactively seeking to create transactions for them and advancing their strategic interests over the long term. In addition, foreign buyers—in particular the project managers of large international projects—indicate that the availability of government-backed financing is a core component of their evaluation of bids and identification of sourcing. These are only some of the findings contained in the pages of this year’s report.

As I begin my chairmanship, I want to assure Congress that EXIM is firmly committing to providing a level playing field for the United States in the fiercely competitive global trade environment in which governments play a growing role in advancing their countries’ exports and expanding the domestic employment that exports entail. With the restoration of the board of directors, EXIM is back to ensure that the United States remains a premier exporting nation and America’s exporters and workers know that their products and services can successfully compete internationally on the fair bases of quality and price instead of on the availability of government support.

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

Board of Directors and Advisory Committee Status

June 2019

Board of Directors

Kimberly A. Reed

Chairman and President

Spencer Bachus III

Member of the Board of Directors

Judith D. Pryor

Member of the Board of Directors

Wilbur L. Ross, Jr.

U.S. Secretary of Commerce, Board Member, ex officio

Robert E. Lighthizer

U.S. Trade Representative, Board Member, ex officio

Advisory Committee Status

This report was updated in September 2019 to include statements by the EXIM 2019 Advisory Committee and the EXIM 2019 Sub-Saharan Africa Advisory Committee.

Section 3(d)(4) of EXIM's Charter calls for EXIM's Advisory Committee to submit comments on the findings of the Competitiveness Report to Congress. The 2018 Competitiveness Report, as published in June 2019, did not include comments from an Advisory Committee because EXIM had been unable to appoint one due to the lack of a quorum on the Board of Directors until May 2019. In July 2019, the 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.

In accordance with EXIM's Charter, the following pages contain the statement of the 2019 Advisory Committee on the Competitiveness Report published in June 2019. At the request of the chairman of the Advisory Committee, the 2019 Sub-Saharan Africa Advisory Committee also submitted a statement, which follows the Advisory Committee's statement.



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 2019 Advisory Committee Statement

on the EXIM Competitiveness Report of the Export-Import Bank of the United States



EXIM 2019 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.

September 23, 2019

To: Members of the United States Congress

From: EXIM Bank Advisory Committee

The U.S. Congress, in the EXIM Charter, called for the creation an advisory committee to comment on the findings of the agency's Competitiveness Report and submit those comments to Congress. Members are mandated to comment on the extent to which the report accurately depicts the global competitive landscape for export finance and the extent to which EXIM is meeting its mandate to help grow United States exports, and to offer suggestions for improvement. On September 11, 2019, the newly reconstituted EXIM Advisory Committee considered these matters and herein provides our report.

First and foremost, our main conclusion is that the findings outlined in the 2018 report unequivocally encapsulate our collective observations of the export finance market. Specifically:

- A fully authorized EXIM is essential to allow U.S. exporters to effectively compete in an increasingly competitive and complex world economy.
- Countries including China have reshaped the worldwide export market and effectively limited U.S. opportunities for major trade and procurement around the globe.
- A fully authorized EXIM is essential for long-term U.S. national security.

- A fully authorized EXIM would begin to level the playing field for U.S. companies that confront many impediments to exporting and growing their businesses abroad.
- EXIM supports American workers by supporting deals with a high composition of domestic, made-in-the-USA content.
- EXIM is significantly hampered from meeting its export-promotion mandate by the lack of certainty over its pending reauthorization.
- There is an inseparable link between a U.S. exporter and its supply chain, meaning thousands of U.S. businesses can be impacted when a single large contract is lost to a foreign competitor.
- Finally, we support efforts to reform, modernize, and improve EXIM.

Based on a review of the overall landscape, it is clear that the export credit environment has undergone a fundamental change in a short period of time. There are significant new state actors multiplying the range of financing options being offered to exporters and buyers.

In particular, the Advisory Committee concurs with and would draw attention to the report's findings regarding the aggressive growth of Chinese export credit agencies (ECAs) activities. In 2018 alone, it is estimated that China provided more than \$500 billion of export credit—in just one year approaching the \$610 billion that EXIM has financed in its entire 85-year history, in nominal value. In fact, China's export finance activity is larger than all the other export credit agencies in the G7 combined. And in the larger picture, China today is the world's largest official creditor, possessing a portfolio more than twice the size of the World Bank and IMF combined.

The Council on Foreign Relations (CFR) calls China's BRI (Belt and Road Initiative) "the most ambitious infrastructure investment effort in history." This effort involves "creating a vast network of railways, energy pipelines, highways, and streamlined border crossings, both westward..."¹

China's overall ambition for the BRI is staggering. To date, more than 60 countries—accounting for two-thirds of the world's population (4.4 billion people with a combined GDP of \$23 trillion)—have signed on to projects or have indicated an interest in doing so.

CFR also point out that the BRI developments have major implications for national and international security, including claims of jurisdiction over vast areas of oceans, control of major shipping lanes, and major changes in the global balance of power.

The Advisory Committee was struck by the changes occurring in Chinese export credit activity that have fundamentally transformed the nature of official export credits, stimulating other export credit providers to broaden their offerings of unregulated and other, more opaque forms of support.

EXIM's Competitiveness Report accurately documents how extensively foreign ECAs have expanded programs aimed at embedding their small- and medium-sized exporters into the global supply chain to the detriment of U.S. exporters, particularly small businesses.

Indeed, the world economy is four times the size of the U.S. economy. To ignore this development is to resign ourselves to a reduced presence in world geopolitical affairs and accept a lower standard of living for Americans in the long-term future.

Export promotion now also has become a critical lever for macroeconomic growth for many governments. Other governments are strategically using ECAs to influence procurement decisions in ways that hinder the participation of U.S. firms.

The responses to the congressionally mandated survey of exporters, lenders, and stakeholders also support these findings. For example, U.S. exporters said they have shifted supply-chain sourcing to other countries with functioning ECAs because they were more reliable partners. Others pointed out the lack of a strategy in the United States, compared with that of other countries, to integrate export finance into our trade-promotion approach.

While a fully authorized EXIM is necessary to meet these challenges, it is also clear that improvements can be made in terms of:

- Transparency
- Strengthening taxpayer protections
- Mitigating domestic impacts from EXIM financing
- Facilitating and not supplanting private financing options
- Working to reduce reliance on ECAs globally

The bank should make more diligent efforts to support small- and medium-sized businesses, including those attempting to enter the export market and those that make up the critical supply chains of larger U.S. exporters.

These are important goals, and we share them.

However, the current posture of uncertainty by the United States is also not a viable option. Already, EXIM can only fill export financing gaps when the private sector is unable or unwilling to do so. Yet, increasingly, contracts require that officially supported export loans, guarantees, or insurance must be available in order for businesses to even be considered for major opportunities. As a result, without a fully authorized EXIM, we are literally giving away hundreds of billions of dollars in business to foreign competitors.

In summary, the Advisory Committee believes that the report substantiates the need for a robust EXIM that can support the interests of the United States in the many situations where an ECA is required. It all comes down to who wins these opportunities—U.S. workers or those in other countries. We should want the recipient of the contract to be a U.S. business. This is exactly where EXIM plays an essential role, one that other governments increasingly recognize as well.

That is why it is critical that the United States maintain a fully authorized EXIM beyond September 30, 2019.

Sincerely,



Stevan Pearce
Chairman
EXIM 2019 Advisory Committee

ⁱ Andrew Chatzky and James McBride, "China's Massive Belt and Road Initiative" (New York: Council on Foreign Relations, Backgrounder, Last updated May 21, 2019) <https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative>

EXIM 2019 Advisory Committee Members

The Honorable Stevan Pearce* (Chair)

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

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
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Representing: Production

Robert Dinerstein

Chairman
Veracity Worldwide
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Representing: Finance

Rodney Ferguson

President and CEO
Winrock International
Arlington, VA
Representing: Environment

Lawrence Goodman

President and Founder
Center for Financial Stability
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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

***Small Business**

Brad Markell

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

Richard Powell

Executive Director
ClearPath
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Representing: Environment

Thomas Raguso

Group Executive Vice President
Director of Global Banking
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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
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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

EXIM 2019 Sub-Saharan Africa Advisory Committee Statement

on the EXIM Competitiveness Report of the Export-Import Bank of the United States



EXIM 2019 Sub-Saharan Advisory Committee members present at the first meeting on September 11, 2019. Front row: Kusum Kavia, Sub-Saharan Africa Advisory Committee Chairman Daniel Runde, and Florizelle Lizer. Back row, left to right: Paul Sullivan, Douglas Goehring, Ejike Okpa, Matthew Kavanagh, James O'Brien, and Gary Blumenthal.

September 23, 2019

To: Members of the United States Congress

From: EXIM Bank Advisory Committee

Congress, in EXIM's Charter, directed that an advisory committee be created to advise and make recommendations on ways to facilitate U.S. exports to sub-Saharan Africa. EXIM Chairman Reed and the Board of Directors recently reconstituted the Sub-Saharan Africa Advisory Committee as a first order of business after a period during which the agency lacked a board quorum and could not appoint members to its advisory committees. We are pleased to have an opportunity to comment on the recently published EXIM Competitiveness Report to the Congress and on the need for a fully authorized EXIM to enable U.S. exporters to compete with companies from many countries around the world, including China, Germany, the United Kingdom, and Japan, for the growing export opportunities in Africa. EXIM's work in Africa is neither aspirational nor marginal; it is central.

Africa is richer, freer, and offers more opportunities to the United States than the continent did a few decades ago. If the American business community does not engage there, Africa will take its business to

China and other countries. By any number of metrics, Africa is going to be one of the world's greatest business opportunities of the next 50 years. EXIM has a critical role in helping American business take advantage of these opportunities, and, in so doing, create and sustain jobs in the United States.

Africa does not receive the attention that it deserves in terms of its countless entrepreneurs, spectacular growth, and the amazing progress that has taken place in recent years. Today Africa's middle class encompasses approximately 350 million persons.ⁱ Forty percent of Africans now live in cities, and 50 percent will live in cities in ten years. Widespread advancements in technology have greatly expanded communications across the continent. For example, there are now more than 650 million mobile-phone users in sub-Saharan Africa.ⁱⁱ

According to many estimates, sub-Saharan Africa will have a larger working-age population than China and India combined in 30 years. This "demographic dividend" can be expected to lead to accelerated economic growth. The United States would do well to find ways now to share in that growth potential, especially considering that Africans in business throughout the continent continue to tell us that they want to buy from Americans.

The United States historically has been a major partner in Africa's development, and it should be a partner in Africa's growth and investment. American exporters will need a fully authorized EXIM to help make that happen, or others will seize the opportunities, and U.S. businesses and workers will lose out.

Africans today have other trade options and partners. For example, for a number of years, Africans have been turning to China as a viable alternative source of goods and services. However, there is also a widespread and strong impression across the continent that many of China's projects are not as high quality, especially when it comes to standards of transparency such as those set forth in the Foreign Corrupt Practices Act (FCPA). Other trading partners, including European and Asian countries, also are mirroring the Chinese approach of implementing a muscular national industrial policy aggressively facilitated through export credit agencies, often with financing structures that do not meet the consensus arrangement on officially supported export credit of the Organisation for Economic Cooperation and Development (OECD), to which EXIM adheres.

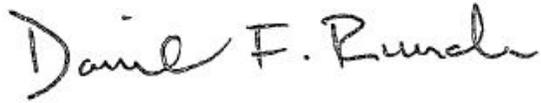
Today, China is the number one exporter of goods to 19 of 48 sub-Saharan African countries and has become Africa's largest trading partner. Forty countries on the continent have signed bilateral trade agreements with Beijing.

If Africans view the United States only as a provider of foreign aid, at some point they are going to question the U.S. commitment to the continent. It is important that the United States offers a viable and more favorable alternative. EXIM Bank is a critical instrument of engagement to reframe the relationship between the United States and Africa as a mutually beneficial economic partnership. If the United States does not have a strong EXIM, that will make it much harder for American businesses to engage in Africa and to realize the opportunities on the continent.

In summary, Africa offers tremendous business opportunities for the United States. An enormous amount of infrastructure will be built in the near future, and Africa has significant energy needs. The urbanization of Africa will demand smart technology, and the telecommunications boom also will provide great opportunities for American businesses. Becoming fully engaged and invested in Africa's growth would be a win-win for the United States and for Africa. A fully authorized EXIM could help Africa

achieve its aspirations of economic growth and self-sufficiency while helping U.S. companies create American jobs through building trade and investment partnerships with Africa. If we do not seize these opportunities, others will.

Sincerely,

A handwritten signature in black ink that reads "Daniel F. Runde". The signature is written in a cursive, flowing style.

Daniel F. Runde
Chairman
EXIM 2019 Sub-Saharan Africa Advisory Committee

ⁱ Daniel F. Runde and Romina Bandura. "U.S. Economic Engagement in Africa: Making Prosper Africa a Reality" (Washington, D.C.: Center for Strategic & International Studies: A Report of the CSIS Project on Prosperity and Development, April 2019)
https://csis-prod.s3.amazonaws.com/s3fs-public/publication/190429_RundeBandura_ProspAfrica_WEB_v2.pdf

ⁱⁱ Daniel F. Runde, Romina Bandura, and Sundar R. Ramanujam. "The Role of Development Finance Institutions in Enabling the Technology Revolution" (Washington, D.C.: Center for Strategic & International Studies, CSIS Briefs, June 2019)
https://csis-prod.s3.amazonaws.com/s3fs-public/publication/190617_RundeRominaRamanujam_DFI_v3.pdf

EXIM 2019 Sub-Saharan Africa Advisory Committee Members

The Honorable Daniel F. Runde (Chair)

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

President
World Perspectives, Inc.
Arlington, VA

Douglas Goehring

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Kusum Kavia

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Florizelle Liser

President and CEO
Corporate Council on Africa
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James O'Brien

Principal
Baker & McKenzie, LLP
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Ejike Okpa

Principal
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John Works

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

Executive Summary

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

However, in 2018 EXIM—for the third consecutive year—remained without a board quorum and was, therefore, unable to approve long-term (LT) export finance transactions.² As the Competitiveness Report describes the previous year's events, this report will continue to report on 2018 in the same manner as Competitiveness Reports since 2016—by documenting and summarizing how the programs and policies of EXIM's competitors were changing.³

Over these last few years, this report has identified several trends emerging in the aftermath of the Global Financial Crisis (GFC) that represent fundamental shifts in the official medium- and long-term (MLT) export and trade-related finance marketplace.

Some key trends include:

1. Export-led growth is a priority of many governments

- a. A number of countries have reported that increasing exports is a lever of domestic growth that they can unilaterally control. Moreover, many foreign governments reported that export finance and promotion programs are a policy priority on the basis of the effectiveness and profitability of these programs.

2. Discussions with many foreign government officials have revealed that they see **a structural MLT financing gap between a transaction's creditworthiness and its commercial bankability**, and look to ECAs as a key strategic tool to fill that gap.
3. A repeated theme that arose in countless stakeholder meetings with ECAs, exporters, and banks is how other countries—to better compete with the Chinese—both enhanced these export financing programs and introduced or expanded the use of unregulated trade-related financing programs, such as untied or investment financing. **The Chinese model is one that never accepted the "traditional ECA" premise**, which is generally characterized by, for example, pursuing jobs through exports, being passive and reactive, and a lender of last resort, that is, offering support where commercial financing was limited. Rather, the Chinese model includes state-owned banks and other entities that offer a range of export and trade-related programs, including export credits, to achieve strategic economic and industrial policy goals.
4. After rising and peaking in 2012 in the wake of the financial crisis, total export and trade-related activity has trended downward through 2018. **Despite this decline in the absolute value of activity supported, multiple respondents noted that the number and flexibility of programs and institutions providing support have grown dramatically.**

² This report covers the period of calendar year 2018 unless otherwise specified.

³ EXIM expects the 2019 Competitiveness Report to return to comparing EXIM's policies and programs to those of other ECAs.

In this third year of observation, the nature of comments received indicates that the individual changes introduced by foreign ECAs do not simply reflect a chaotic marketplace. Rather, that in 2018 the global export-finance market has moved—organically as well as intentionally. Many foreign government ministries, ECA officials, and banks noted that foreign governments now explicitly place a clear priority on export and trade-related tools in pursuit of two fundamental goals within the overarching objective of increasing exports. Specifically:

1. Foreign ECAs have introduced programs aimed at **embedding small and medium-sized exporters into the global supply chains** of major manufacturers worldwide; and
2. Bringing a **whole-of-government** approach to the official MLT financing used to pursue the near-term and long-run benefits seeking to influence procurement and sourcing decisions and secure follow-on sales for exporters winning major export transactions.

This year's Competitiveness Report has focused on recording what foreign ECAs have reported as an "evolution and revolution" of the export finance market. The report steps back and reports on the big picture emerging by using the 10-to-15-year period between the years leading up to the GFC ("then") and 2018 ("now") as a framework to illustrate just how deeply, widely, and fundamentally the official MLT financing marketplace has shifted, as reported by its practitioners then and now.

Viewed in this context, it appears that many foreign ECAs and their governments are quite explicit in highlighting that they are no longer content just supporting current exports; rather, these countries clearly state that they are increasingly focused on strategic goals and forging long-term business partnerships that maximize the long-run export footprint of these economies.

In multiple bilateral meetings and banking conferences over the past two to three years, many foreign ECAs have reported their export support mission steadily shifting away from "defensive leveler of a playing field" to a "pre-emptive deal creator" focused on broader, strategic longer-term export support for their exporters. As the size of foreign toolkits has grown (and the diversity expanded), EXIM is differentiated most clearly from most foreign ECAs by the breadth of flexibility that foreign ECAs have to justify, and in fact fuel, their involvement in a case. Moreover, exporters and banks regularly note that, today, foreign buyers (particularly large volume project managers) rarely approach financing as an afterthought. Rather, financing is regularly a core component of evaluating bids and identifying sourcing—complete with weighting scales on relative financing terms. For cases in which commercial financing is limited or unavailable, the presence of ECA support is increasingly viewed as a necessary component for exporters to be competitive.

Introduction and Overview

Background

The Export-Import Bank Reform and Authorization Act of 2015 (Public Law 114-94, December 4, 2015, and hereafter referred to as the Charter or EXIM's Charter) gave EXIM legal authority to operate its full range of programs through September 30, 2019. From July 20, 2015, to May 8, 2019, EXIM was without the three voting board members required to constitute a quorum on its Board of Directors required to 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). As a result, in 2018 EXIM only operated its short- and medium-term programs for a third consecutive year. As of December 31, 2018, there was nearly \$40 billion in transactions in EXIM's pipeline that require a vote by EXIM's Board of Directors.

EXIM's Charter mandates that the bank submit to Congress an annual assessment of its competitiveness relative to the other major global providers of official export finance. The Charter requires that EXIM "indicate in specific terms the ways in which the bank's rates, terms, and other conditions compare with those offered from such other governments directly or indirectly." Historically, the Competitiveness Report focused on the activity of the Group of Seven (G7) countries (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States). Pursuant to a recommendation from EXIM's 2011 Advisory Committee, EXIM sought to better understand the products, terms, and conditions associated with the increasingly important competitive threat emerging from the BRICS countries and other forms of financing outside of the purview of the OECD guidelines. As such, the Competitiveness Report's analysis was expanded to include other major OECD ECAs (Denmark, Finland, South Korea,

the Netherlands, Norway, Spain, and Sweden, among others) and non-OECD ECAs (Brazil, Russia, India, China, and South Africa). "OECD ECAs" refers to those ECAs that are both members of the OECD and Participants to the OECD Arrangement on Officially Supported Export Credits.⁴ The report was further expanded to include the trade-related support OECD and non-OECD countries provide that does not fall under the scope of the OECD Arrangement but which could have potential competitiveness implications for the U.S. export community.⁵

Previous editions of the Competitiveness Report highlighted the business EXIM conducted in the MLT arena relative to its competitors because this segment experiences the greatest amount of competition between U.S. exporters (supported by EXIM) and foreign exporters (supported by their relevant ECAs and other parts of their governments). This type of analysis was not possible in 2018, as was the case in 2016 and 2017, because EXIM was not able to approve any long-term (LT) transactions. As a result, no LT information is available from EXIM for comparison.

This year's analysis focuses on the following:

1. Fundamental and seismic shifts that have occurred in the export and trade-related finance market since the years leading up to the GFC until today (with current events suggesting the shifts are not only still underway but are becoming more pronounced and perhaps accelerating); and

⁴ The OECD Arrangement is an agreement among countries that are members of the Organisation for Economic Co-operation and Development (OECD), which establishes transparency provisions and guidelines governing the financing terms and conditions of export credits provided by participating ECAs.

⁵ Trade-related support generally refers to programs that can facilitate cross-border trade and are operated outside the scope of the OECD Arrangement (e.g., investment, untied, market windows).

2. Feedback received from the U.S. exporting community, through surveys and focus groups, regarding the importance of EXIM's LT programs to U.S. exporter competitiveness, levels of U.S. employment in strategic sectors, and ability of many small and medium-sized enterprises (SMEs) to inhabit the supply chains of U.S. original equipment manufacturers. According to this feedback, the MLT export finance market looks entirely different today than it did when EXIM was last active during the first half of 2015. Stakeholders strongly emphasized the strides foreign ECAs have made during EXIM's absence.

Global Context

In the 2016 Competitiveness Report, EXIM provided a short overview of "The Evolution of ECAs" focused on the drastic change in ECAs' role pre- and post-GFC. In the 2017 report, EXIM zoomed in on two key changes in ECAs' business models, specifically: the introduction of proactive matchmaking approaches and the increased emphasis on flexibility. For 2018, ten years after the start of the GFC, this report widens the lens of the analysis, by zooming out to take a look at "Export and Trade-Related Finance: Then and Now."

"Just before the 2008 financial crisis the role of ECAs was being questioned—ECAs were accused of taking away business from commercial banks with very low pricing on direct loans. A year later everyone wanted ECA cover." – Johannes Schmidt, head of financial advisory, Siemens Financial Services^{6, 7}

A variety of global factors have converged to result in today's new official export and trade-related finance market, characterized by increasingly intense competition for large, strategically important projects in priority sectors. These factors include:

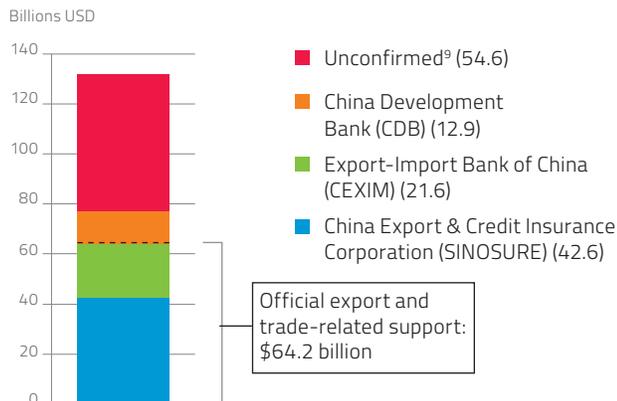
Emerging dominance of the Chinese system in terms of sheer volume growth and steady market share development in better markets—The Chinese export credit system's performance over the last 10 to 15 years has impressed upon other ECAs a sense of urgency to change policies and programs or risk losing access to large swaths of key markets. The Chinese system is particularly influential for the following reasons:

- a. It is the world's largest ECA system, with its official ECAs—Sinosure and China EXIM—providing almost \$65 billion per year of MLT export and trade-related activity around the world in 2018 (Figure 1). Thus, its presence is felt by all other players.
- b. No full description of its components exists outside China. It is largely opaque; hence, no one knows what the full breadth of financing programs and volumes truly looks like. This is reflected in the "unconfirmed" data in Figure 1. This uncertainty causes other market players to speculate.
- c. It is the world's largest unconstrained ECA system, operating outside the OECD Arrangement with the freedom to adjust terms and conditions to meet the needs of borrowers.
- d. It is one of—if not the most—well-coordinated whole-of-government approaches to financing because the two official Chinese ECAs and other finance providers such as China Development Bank are enmeshed in government-wide efforts to develop priority sectors alongside other major Chinese-leaning financiers. As an example, this system is aimed at helping expand Chinese exporter influence into regions identified in the Belt and Road Initiative (BRI). Figure 1 shows how China is a prime example of a coordinated whole-of-government approach to financing trade.

6 Quotations in this report are generally from 2018 unless otherwise specified.

7 As reported by TXF

Figure 1: Chinese Government-Wide Official MLT Export and Trade-Related Activity, 2018⁸



Sources: EXIM, bilateral engagement

Market Changes –In the years since, the following market factors have influenced the nature and level of official MLT export and trade-related finance:

- a. The level of demand for official MLT export and trade-related finance has stayed above pre-GFC levels;
- b. The international regulatory responses to the GFC, including more stringent capital and liquidity requirements, increased banks' costs in a highly differentiated way, which in turn has impacted the supply of MLT export financing for higher risk, large volume, and/or longer-tenor credits from commercial sources; and
- c. The growing number of very large "mega deals" (i.e., greater than \$1 billion), from one transaction at the start of the 21st century, to approximately 250 in 2018.¹⁰

"Under [current] market conditions, ECA finance is increasingly in demand for riskier markets or very large transactions." – Thomas Baum, head of division, underwriting and risk management, Euler Hermes¹¹

National Strategies –

- a. Export promotion: Several European countries including Spain and Italy in the wake of the GFC and European Debt Crisis, and now the UK in the face of a looming Brexit, have adopted the strategy of elevating exports to an important national priority. The export-led model of economic recovery and development has been a well-worn route for many countries since World War II (e.g., Germany, Japan, Korea, and now China). The strategy, once taken on, tends to foster supplementary tactics to help further expand domestic benefits from trade. Hence, all of these countries have well-stocked—and strategically connected—official export and trade-related financing mechanisms (frequently a dual-ECA system). In fact, most European countries (tied to the euro and European Union budget disciplines) are looking to exports as a prime (nationally controlled) path to growth. Where exports are of strategic importance, official export and trade-related programs tend to be larger, more aggressive, and better-funded. The full impact of these strategies, the agencies implementing them, and the programs they operate is still being observed.

"Focusing on exports and internationalisation today is no longer just an opportunity but a necessity. In a world with risks and volatility on the rise and growth slowing, fueling this development—that in recent years has been the only positive contribution to Italian GDP—is a challenge that requires courage and more effective strategies by all actors involved..."
– SACE

⁸ Each of the institutions in Figure 1 has been found to provide investment, export credits, as well as other types of support. The confirmed official export credit programs of China's official ECAs -- China EXIM and Sinosure -- totaled approximately \$39 billion in 2018. China's total official export and trade-related activity (including export credits) totaled \$64.2 billion.

⁹ "Unconfirmed" figure indicates the sum of the values of deals 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.). In an effort to avoid double counting, credits provided by official entities which were assumed to receive Sinosure risk cover were excluded (and only counted once as Sinosure activity).

¹⁰ According to IJGlobal data

¹¹ As reported by Global Trade Review

*“...in the aftermath of the crisis, the export sector continues to be an [area] of growth. Contrary to past experience, **external-led growth has not been a temporary phenomenon** vanishing with the recovery of domestic demand.” – Beatriz Reguero Naredo, director, chief operating officer, state account business, CESCE and president of the Berne Union*

***“Exporting is vital to the UK economy and our strategy for a Global Britain.”** – Theresa May, UK prime minister*

- b. Industrial strategy: Many countries have long embraced the view that it is critical to their country’s strategic interests to support specific key industries (e.g., energy, technology, and defense). Export-promotion tools have been utilized to cultivate and protect strategically important industries in the wake of rising global competition. “National champions” are viewed as too strategically important to the national interest to risk losing or allow to fall behind. Chinese ECA support for the goals outlined in Made in China 2025 is an example of foreign governments viewing ECAs as a key element of their country’s national industrial strategies.

***“[China EXIM] is committed to reinforcing financial support to key sectors and weak links in the Chinese economy to ensure sustainable and healthy economic and social development.”** – China EXIM*

Details and illustrations of these key findings and trends are the core of this report.

Methodological Note

Congress mandates that EXIM provide U.S. exporters with financing terms and conditions that are “fully competitive” with those financing terms and conditions that foreign governments provide to their exporters. The Charter indicates that where data is not available, EXIM should estimate foreign ECA activity and include it in the report. EXIM is also directed to include a survey of a representative number of stakeholders on their experiences regarding EXIM’s role in meeting financial competition from other countries whose exporters compete with those from the United States. To meet these varied requirements, EXIM conducts both quantitative and qualitative analyses of official export and trade-related finance activities.

In preparing this report, EXIM drew upon a variety of sources. Specifically, EXIM collected data bilaterally from other ECAs and supplemented this data with information collected through international fora in which EXIM participates.¹² EXIM also included data from public sources, such as websites and annual reports. Additionally, the bank performed substantial outreach to foreign ECAs, exporters, lenders, and other stakeholders to help clarify differences in data and further explain topics of interest in order to support a more fulsome understanding of the scope and scale of export and trade-related support. Importantly, EXIM’s outreach allows the bank to more accurately portray foreign ECA activity and intent, which contextualizes the views of export credit practitioners.

EXIM takes great care in trying to make “then” and “now” comparisons from 10 to 15 years ago to today. Where this is not possible due to lack of information, particularly from the pre-GFC timeframe, when many of these trends were not being tracked, EXIM makes a best-estimate based on available information, per its congressional mandate. Of particular note, certain providers whose total and/or programmatic activity was not closely tracked 10 to 15 years ago needed to be estimated in some cases.

¹² 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.

Finally, EXIM has approached most of the entities whose data is here presented to share its methodology and ask for their verification of the data, and, in some instances, they did not choose to confirm it, due to a lack of time or authority to do so. Taken holistically, these quantitative and qualitative elements form the basis for many of the Competitiveness Report's findings.

Report Structure

Section 1 establishes the basis for a whole-of-government competitive analysis this year, given the increasingly narrow and outdated nature of an ECA-to-ECA assessment. This section then offers a detailed look at 2018 export and trade-related finance activity levels from various institutions. Given that EXIM could not authorize new LT transactions for the third year in a row, this year's report again only presents the bank's activity in its medium-term (MT) program.

Section 2 looks back on the changes that have taken place in the export and trade-related finance arena from the years preceding the GFC to today. This "Then and Now" section highlights the stark shifts that the market has undergone and notes that current events suggest the shifts may be accelerating.

Section 3 examines the findings of EXIM's stakeholder outreach. Each year, EXIM conducts a congressionally mandated survey of exporters and lenders. To provide a more fulsome picture of the effect that EXIM's lack of board quorum and the changes occurring at other ECAs have had on the U.S. export community, this year's Competitiveness Report also includes findings obtained through focus groups.

Section 4 includes appendices that cover important topics in export finance and fulfill related reporting required per EXIM's Charter.

Short-Term Programs

The Competitiveness Report does not focus on short-term (ST) support because the major economies of the world differ markedly in their use of official ECA support in this arena. 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.

Nevertheless, recent years have seen the expansion of ECA working capital and supply chain programs as a means of facilitating the export readiness of supply chains. Survey responses have indicated there may be some competitiveness implications in these “intermediate” products. EXIM has monitored trends in ST trade finance and will continue to do so, to the extent that exporters identify competitive concerns. The chart shows some baseline activity for these and other short-term programs.

G-12 Short-Term Export Credit Volumes (Billions USD)		
Country	2017	2018
SINOSURE (China)	412.80	481.40
K-sure (Korea)	114.63	121.99
NEXI (Japan)	49.08	49.84
EDC (Canada)	43.96	43.64
ECGC (India)	39.80	30.90
EXIAR (Russia)	11.39	15.43
EULER HERMES (Germany)	10.96	11.06
U.S. EXIM (United States)	2.81	2.39
SACE (Italy)	0.61	1.05
UKEF (United Kingdom)	0.16	0.05
ABGF (Brazil)	0.01	0.00
BPIFrance (France)	0.00	0.00

Sources: EXIM, bilateral engagement

Section 1

Overview of Official Medium- and Long-Term Export and Trade-Related Finance

Ten years after the start of the Global Financial Crisis (GFC), 2018 seems an appropriate time to reflect on the developments in the export finance market, which have been wrought by the reactions and responses to the crisis. Key developments include the composition of the actors within the market, the options they offer exporters and foreign buyers, and which actors provide the most financing. Different types of official finance providers have grown and shrunk, new categories of providers have emerged and, as a result, the relevance of the rules that apply to export credits has been questioned. Looking over the 10-year span since the start of the GFC, Chinese activity has quadrupled—going from approximately one-tenth of G7 activity to roughly equal. However, 2018 broke a trend of annual decreases in the percentage of OECD Arrangement-regulated activity as a portion of total export and trade-related finance—declining from about 100 percent in 1999 to a low point of approximately 27 percent in 2017 but rebounding to 36 percent in 2018.

The chapters that follow will:

- Provide an overview of the basic structure of the medium- and long-term export and trade-related world, including an overview of the rules, providers, and types of support;
- Examine MLT export and trade-related activity “then” (in the years leading up to the GFC) and “now” (2018); and
- Review EXIM’s MT activity in 2018 and compare it to that of foreign ECAs.



A Primer on Official MLT Export and Trade-Related Finance

Overview

The Export-Import Bank of the United States (EXIM) was established in 1934. EXIM is an independent executive branch agency of the U.S. government, with a mission to support American jobs through exports. EXIM provides a range of financing tools that help U.S. companies compete for global sales including export credit insurance, guarantees, and direct loans. EXIM only provides financing when the private sector is either unable or unwilling to provide financing (e.g., due to portfolio or regulatory considerations) or when U.S. exporters are facing foreign competition backed by official export credit support. EXIM requires that each transaction has a reasonable assurance of repayment and charges fees commensurate with the risk that the bank assumes. Any excess fees EXIM collects are sent to the U.S. Treasury and assist in reducing the federal deficit. The bank sent more than \$500 million per year, on average, to the Treasury during the last five years in which it was fully operational.

EXIM's programs and policies reflect the belief that the market should be the prime source of MLT export financing, with government reacting to fill gaps created by market failures or to respond to official financing provided to foreign competitors of U.S. exporters. This reactive, gap-filling ECA model that was once the norm is becoming more the exception than the rule as time goes on. There has been a marked shift among EXIM's competitors away from the historically reactive lender-of-last-resort role towards a much more strategic role that pursues broad economic benefits for an ECA's home market and that protects national champions from foreign competition worldwide.

Ten years after the start of the GFC, 2018 seems an appropriate time to reflect on the developments in the

export finance market. Given the wide macroeconomic implications, and the substantive reactions in the regulatory arena, there seems to have been several fundamental shifts reflected in the MLT export and trade-related market.

Some of the most important developments have been in the composition of the actors within the market and their offerings. Different types of official finance providers have grown and shrunk, new categories of providers have emerged and, as a result, the relevance of the rules that apply to export credits has been questioned.

Previous versions of this report have zoomed in to study each of these actors in various regions (e.g., 2017 focus on the Asian model, 2018 focus on European trends and introduction of Development Finance Institutions as a market player). However, this year's report will telescope out and consider the whole-of-government approach that many foreign governments are developing to expand their market share by using their various financing institutions to support, promote, and incentivize exports today and into the future. To capture this evolution, this year's report will take a wider view, beyond strictly ECAs to include other official providers of export and trade-related finance given the implications that foreign alternatives—not just the official and regulated ECA support—have on U.S. exporter competitiveness.

Rules Governing Official MLT Export and Trade-Related Finance

EXIM's MLT programs follow the rules set out by the OECD Arrangement on Officially Supported Export Credits (the OECD Arrangement or the Arrangement). Originally agreed to in 1978 among a group of governments referred to as the Participants to the Arrangement (the Participants), the Arrangement outlines specific terms and conditions to provide

for the orderly provision of export credits.¹³ The Participants recognized that unbridled official export credit competition could lead to a “race to the bottom” in which buyers would make decisions based on the attractiveness of the financing (e.g., lowest interest rate, longest tenor, lowest premia, etc.) rather than on the best commercial price and quality of the export.

The OECD Arrangement governs official export credit support with a tenor (or repayment term) of two years or more, as well as tied aid, provided by any official institution of a Participant country, not just ECAs.¹⁴ It is understood that the Arrangement applies to tied export credits. An export is understood to be *tied* when a government’s support is contingent upon (at least some) national procurement of goods and services from the provider’s country. Importantly, the Arrangement does not set parameters for the provision of untied export credits nor for official financing provided for equity investments.¹⁵ Thus, Participants using such programs to finance exports are not breaking the Arrangement rules in doing so; instead, these programs are simply outside the scope of the rules.

The Arrangement is a living document and has changed over time to reflect new competitive realities Participants face. However, non-Participant governments are not covered by these rules. In 2012, a bilateral initiative between the United States and China led to the creation of the International Working Group on Export Credits (IWG). The goal of the IWG is to establish an international framework that maximizes the scope of a level playing field among all providers of official MLT export finance.

Export Finance—A Variety of Sources

Official MLT export and trade-related finance is financing from an official government source that intentionally or indirectly supports an export from the country whose institution is providing the financing. That definition covers a wide variety of situations driven by widely different objectives:

1. Intentional export support (i.e., traditional “tied” export finance):
 - a. Finance is provided after a formal—even if minimal—domestic sourcing requirement is met (i.e., exports are the goal of the financing package).
2. Corollary export support (i.e., export finance occurs within finance whose primary objective is something else). These programs may have the indirect benefit of generating exports:
 - a. Untied programs are intended to achieve a national interest (e.g., obtaining natural resources, inducing supply chains);
 - b. Investment financing is intended to support domestic investors;
 - c. Market windows are designed to “grease the wheels” for financing and supporting national interests;
 - d. Development Finance Institutions (DFIs) intend to improve development.¹⁶

Although the second type of financing usually supports international trade in some capacity, export finance is only a potential consequence. Hence, the report uses “export finance” to refer to “tied” financing and “trade-related” to refer to all the official MLT financing that may (to a greater or lesser extent) include exports as a corollary, although not primary, goal. This report assesses the breadth and nature of both export finance and trade-related programs holistically as these trade-related programs can also be highly influential.

¹³ Today, the Participants include Australia, Canada, the European Union, Japan, Korea, New Zealand, Norway, Switzerland, Turkey, and the United States. Brazil is a Participant to the Aircraft Sector Understanding.

¹⁴ The Arrangement also includes transparency provisions for trade-related untied aid but does not govern the terms and conditions of this type of support.

¹⁵ Untied export credit support exists when an official institution provides financing not on the basis of national procurement but instead in the pursuit of some other national benefit. It is worth noting that the buyer could still choose to purchase from the provider’s home country, although it is not a prerequisite for support.

¹⁶ This report describes the diversity of types of institutions that stakeholders have reported are currently financing domestic exports to a greater or lesser degree—irrespective as to whether that consequence was intended or incidental. Whether any or all definitively pose competitive threats is a finding beyond the capacities of this report.

ECAs: A Source of One or Multiple Types of Export and Trade-Related Finance

By today's count, there are a total of 113 ECAs (including EXIM) or other official entities providing some form of export credit support globally (see Appendix J). Of these export credit providers, only about half provide MLT products that could be considered competitive with those offered by EXIM. Most ECAs are government agencies, although several private institutions operate export credit programs on behalf of their governments. Governments typically shape their ECAs based upon (1) domestic and trade policy goals, (2) the ability of commercial banks and private insurers to provide export finance to their exporters, and (3) the specific needs of domestic exporters. Significant variance in these country-specific influences has led to a wide range of programs and mandates among ECAs, making simple point-to-point comparisons difficult.

ECAs are almost always a provider of traditional "tied" MLT export finance; however, EXIM is the only major ECA that limits its MLT support to this type of finance. Hence, EXIM is also the only major ECA where 100 percent of its MLT activity is Arrangement-compliant. The ECAs of most OECD countries tend to provide both Arrangement-compliant MLT tied export finance and one or more of the MLT trade-related finance programs that are not covered by the Arrangement (but that can supplement and/or result in corollary export finance). The core trade-related programs not covered by the Arrangement include market windows, investment (see Box 2), and untied programs.^{17 18}

In addition to traditional untied programs, several ECAs are now operating what could be considered incentive programs. These programs include the "push" and "pull" loans operated by SACE (Italy) and EDC (Canada), respectively. These programs are aimed at incentivizing foreign companies to shift or start sourcing more from suppliers in the ECA's country, and offer buyers the equivalent of a line of

credit unrelated to any specific case or project. These programs require that the foreign buyers (or third-country exporter) participate in a series of marketing and matchmaking consultations with suppliers from the ECA's country with the overt—but not required—goal of relationship-building and supply-chain adjustments. EXIM's customers report that increased use of these suppliers typically results in additional financing benefits, as detailed further in Section 2.

Investment Programs

In an investment financing program, an ECA provides support to an investor (usually from the ECA'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. This activity is considered a form of untied support because the support is not contingent upon any specific level of procurement from a domestic company. However, investment programs can be offered in parallel with standard export credits to a project, resulting in a package of support that is attractive to the buyer. Furthermore, even if provided on a stand-alone basis, investment support may influence sourcing decisions or play a role in the selection of an engineering, procurement, and construction (EPC) contractor. The buyer is not prohibited from buying from the ECA's country. As a result, investment financing can still lead to procurement or a host of other benefits (e.g., access to the natural resources resulting from an ECA-funded project). Almost all major ECAs provide investment support.

"The benefit of investment credit is that it can be provided outside the OECD arrangement, so we can be very much flexible in regards to local content and costs... In terms of investment credit, the sky is our limit." – KJ Yang, director of oil & gas downstream, industry, telecoms, and plant finance, Export-Import Bank of Korea¹⁹

17 In a market-window program, an ECA offers pricing competitive with the commercial market. A market window does not necessarily result in lower financing costs compared with financing provided under the Arrangement. Market windows allow ECAs to have more flexibility on tenor, down payments, and fees because the transactions are not covered by the Arrangement.

18 EXIM does not provide market window, investment, or untied support. Since 1971, the United States has provided investment support through the Overseas Private Investment Corporation (OPIC).

19 As reported by TXF

Lastly, there is a growing cohort of ECAs whose governments (mostly BRICS countries) are not participants to the Arrangement. Hence, even the terms and conditions of the voluminous official MLT export credit programs of the BRICS countries vary as these are not subject to Arrangement rules. U.S. exporters report that the financial terms and conditions of the BRICS ECAs are not systematically more attractive than Arrangement terms—in fact sometimes their pricing may be higher or the tenor shorter. However, the discretionary flexibility that these ECAs exercise in favor of their exporters is a potent—if not dispositive—competitive edge.

DFIs: A New Source of Export and Trade-Related Finance

Bilateral DFIs are official government institutions that pursue development goals by providing financing support to encourage private sector entities to do business in developing countries. Many DFIs currently operate in the same core markets and sectors as ECAs, often supporting commercially viable projects on market terms in middle-income countries. Increasingly, DFI activity has been associated with exports as shown in Box 3. As such, there has been increased “blurring” in cases that—in pursuit of development goals—have noticeable export content and have raised concerns in terms of a level playing field.

In last year’s Competitiveness Report, EXIM introduced the emerging trend of DFIs’ entry into the export and trade-related finance market.²⁰ As reported in last year’s report, a number of DFIs (including OPIC) have “national interest” mandates similar to those under which ECAs operate their untied and investment programs or related initiatives aimed at benefiting the provider countries as well as the recipient countries. It has become clear during 2018 that DFIs have increasingly financed transactions to specifically support their domestic exporters, and are matching domestic exporters with foreign buyers.²¹ Moreover, DFIs often provide investment support—mostly in the form of debt—for investments in developing countries. With the aforementioned investment support provided by ECAs becoming increasingly popular over the years, the investment support provided across institutions is becoming increasingly difficult to differentiate in terms of its impact on export levels from the provider country.

20 EXIM recognizes that not every DFI-supported transaction is export finance or even trade-related. However, without enough information, it’s impossible to separate the transactions into such categories.

21 Unlike the clear division of ECAs into Arrangement-based categories, DFIs do not have an equivalent set of international rules governing the terms and conditions these institutions can provide. As such, the same breakdown of OECD and non-OECD institutions is irrelevant. However, there is not sufficient clarity on certain countries’ DFIs to even identify which institution acts as the country’s DFI in, for example, Japan and Korea.

DFI Support for Export Finance—In Their Own Words:

The Netherlands’s development finance institution, FMO, has created a division focused on Dutch exporters and investors, one of the objectives of which is to support export transactions and support key Dutch industries. FMO reported that, in 2018, new commitments of this division amounted to approximately \$33 million and that it anticipates that this export-finance business and staff will grow in the coming years.

*“...we will continue to support Dutch companies investing in our markets through services ranging from support in early stage project development to **providing export finance.**”*
– FMO

*“The NL Business department **built a broad pipeline of export finance** and other investments.”* – FMO

FMO’s first export-finance transaction was a \$10 million transaction authorized in December 2017 for the export of Dutch equipment to Mexico.

*“The transaction is FMO’s **first funding operation for export-finance transactions.** This type of funding was launched as a new activity in Q1-2017 to enlarge FMO’s offering to Dutch businesses eager to do business overseas. **The transaction fits within FMO’s strategy to play a key role in financing exports of capital goods and services from Dutch companies to customers in emerging markets.**”*
– FMO

While this may have been the first transaction formally considered export finance by FMO under their export-finance program, FMO has reported other transactions, such as a 2015 transaction in Mexico, that have been financed to support the purchase of Dutch capital equipment.

*“Our [**\$16 million**] loan will be **used to purchase 2 state-of-the-art fuel efficient vessels from Damen Shipyards.** With this transaction, FMO will be supporting Damen, an **important Dutch ship builder...**”* – FMO

FMO also signed an MOU with Vietnam in 2013 that it said “will be to the benefit of export [opportunities] for Dutch businesses.”

More recently, in June 2018, FMO provided approximately \$5.6 million for what it called “export credit financing” for capital goods and services from the Netherlands to Argentina, and which was insured by the Dutch ECA Atradius. Given the developmental objectives of DFIs, and the generally higher risk associated with financing provided to developing countries, it is interesting to see a DFI’s risk being covered by an ECA.

While EXIM is not aware of other DFIs that have gone as far as FMO to develop an export finance program or explicitly provide export credits, some DFIs such as DEG (Germany) have begun matching exporters with foreign buyers and have financed transactions that involve exports from their own country. For example, Germany’s DEG launched the German Desk initiative in 2017, which, according to DEG, “will provide financing solutions for local companies wishing to acquire German equipment or services.”

*“The range of [German Desk] services extends from setting up accounts through services for financing trade and transaction banking, **to credit lines or investment financing for local companies wishing to acquire German equipment or services...** To do so, they need to obtain suitable investment financing, e.g., for acquiring German machines.”* – DEG

In June 2018 DEG financed a \$20.7 million wind project in Argentina, which imported German wind turbines. DEG reported that one of the reasons for financing the project was that “The financing supports the export of German technology and know-how.” Today, governments are updating their tools and employing them in more creative and coordinated ways to provide export finance.

One EXIM survey respondent reported having worked on transactions with several bilateral DFIs. Separately, one survey respondent reported that “DFIs are encroaching upon traditional ECA space.”

Official MLT Export and Trade-Related Activity: Then and Now

Overview

In this report, EXIM is expanding on previous years' reporting on export credit activity by examining the holistic effects of total official MLT export and trade-related support on U.S. exporter competitiveness. Foreign ECAs, exporters, and lenders have stated that export and trade-related finance—taken together—serve as a more effective means to achieve export and trade promotion. Today, countries increasingly use a whole-of-government approach to offer both types of support to secure domestic benefits. In practical terms, this aggregation of support represents the level of official MLT financing U.S. exporters are up against in the market. Accordingly, in order to attempt a more accurate measurement of the market and a more appropriate assessment of competitiveness, this chapter will measure activity “then and now” for the following programs:

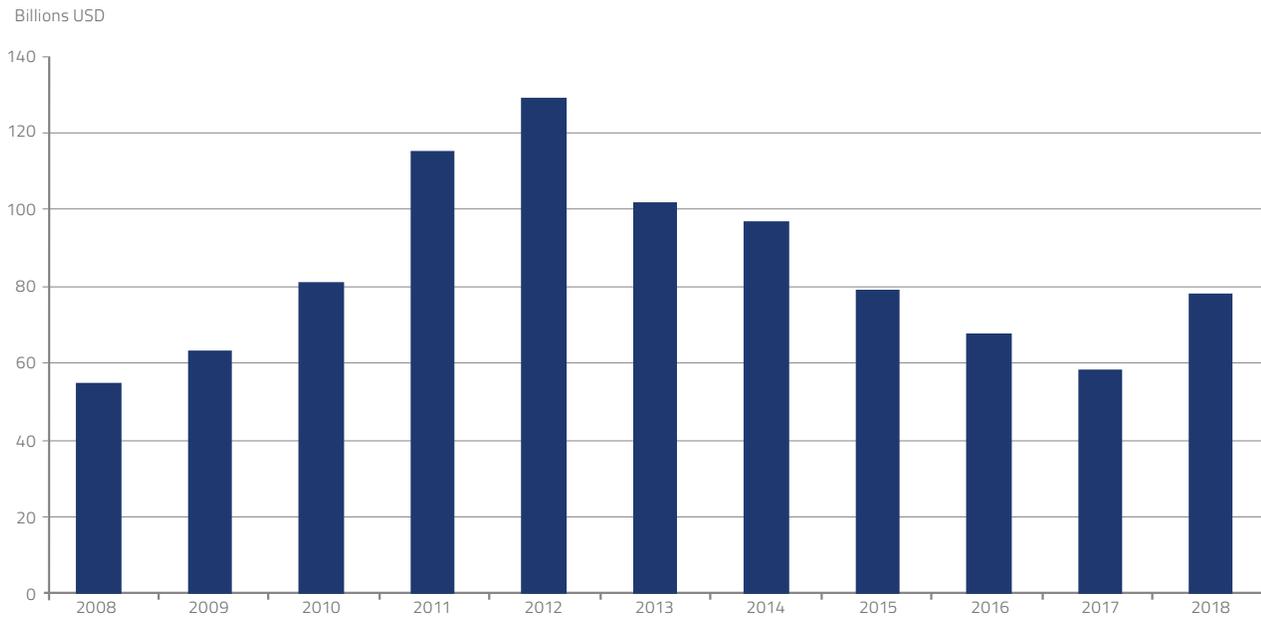
- OECD Arrangement tied MLT export credit activity provided by Arrangement Participants;
- BRICs tied MLT export credit activity, as a proxy for non-Arrangement “standard” export finance providers;
- Investment, market window, and untied support from both OECD and non-OECD Participants; and
- Support from DFIs

OECD Arrangement Tied MLT Export Credit Activity

In 2018, total activity provided under the rules of the OECD Arrangement ended a five-year-long decline in terms of volume, as shown in Figure 2. OECD Arrangement export credits had been consistently declining from their peak of \$129 billion in 2012 down to \$58 billion in 2017. However, 2018 marked a dramatic rebound with Arrangement export credits up approximately 33 percent to \$78 billion.

The increase in Arrangement MLT activity was mostly driven by Italy, Germany, and Korea whose 2018 Arrangement business exceeded \$10 billion each. Italy reported 2018 volumes that were even higher than those they provided during the peak of ECA activity in the years following the GFC. Korea's volumes rose by almost 40 percent, while Germany's rose more than 70 percent from 2017 levels. Of the smaller ECAs, Denmark and Spain's volume increased more than 180 percent each, from 2017 to 2018. Driving this surge in Denmark's activity were large renewable-energy projects. These countries were not alone in experiencing an upturn in Arrangement-compliant business volumes. Three other countries (Austria, Sweden, and Switzerland) saw their MLT export credit activity grow by more than 70 percent in 2018.

Figure 2: OECD Arrangement MLT Export Credits Provided by OECD Participants²²



Sources: EXIM, bilateral engagement, OECD

Non-OECD ECAs (i.e., BRICS) Tied MLT Export Credit Activity

In 2018, Brazil, India and China were the primary providers of MLT export credits for the BRICS countries, which experienced a slight uptick in activity, as shown in Figure 3. Brazil showed a slight increase of about \$1 billion in export credit activity in 2018, but India’s export credit volume was down following a near record high in 2017.²³ Chinese official export credit activity edged up to \$39 billion, hitting its highest point since 2014.²⁴

This steady increase in activity since 2015 may be at a different pace than the drastic surge in BRICS activity following the GFC, but the BRICS countries have steadily continued on their overall upward trajectory since emerging onto the scene.

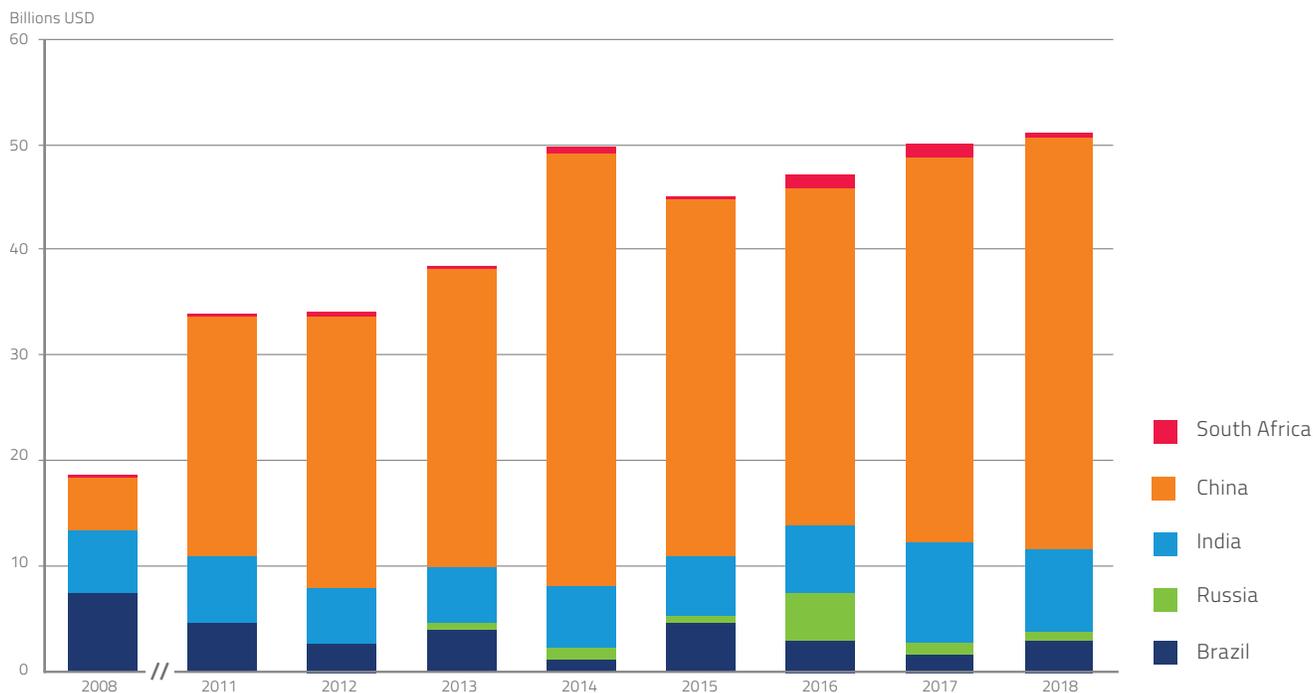
Combined, total “standard” MLT export credit activity from OECD and BRICS countries totaled almost \$129 billion in 2018, compared to roughly \$73.5 billion in 2008.

²² Data from 2011 onwards has been compiled by EXIM through bilateral engagement. Data prior to 2011 is based on data from the OECD and, as such, may use a different methodology.

²³ Indian 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.

²⁴ Chinese MLT export credit figures are composed of CEXIM’s MLT export credit programs and Sinasure’s MLT export credit programs. Due to a lack of transparency associated with their data, Chinese figures should be considered conservative estimates, subject to revision. As was the case in 2017, the 2018 CEXIM Annual Report was not published in time for inclusion in this Competitiveness Report. As a result, EXIM could not corroborate its estimates with data provided by CEXIM and therefore had to estimate Chinese activity based on open-source research, previous annual reports, and trends in Sinasure’s bilaterally reported activity.

Figure 3: BRICS Official MLT Export Credit Activity



Sources: Annual reports, bilateral engagement, Berne Union

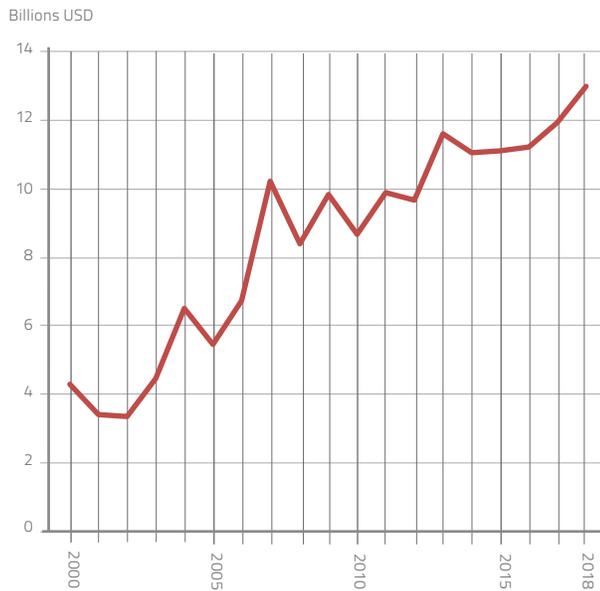
Trade-Related Activity Not Covered by the Arrangement (i.e., Investment, Market Window, Untied, and DFI activity)

Although these programs fall outside the scope of the Arrangement rules, both OECD and non-OECD members offer some or all of these types of support. While untied programs such as “push” and “pull” programs have become the focus of ECAs’ strategic efforts (discussed further in Section 2), some of these programs may have been too new to impact data trends in 2018, as untied volumes remained low relative to previous years. Investment support was down by more than \$20 billion overall, and with most of the decline coming from China. As the Asian ECAs (OECD and non-OECD) drive investment figures each year (with each of China, Japan and Korea providing roughly as much investment as export credit support), a major change in the levels of one of the programs drives the overall volume of trade-related activity.

The official data available on DFIs only covers DFIs in North America and Europe.²⁵ This data shows DFI activity rose by more than \$1 billion in 2018 to \$12.8 billion, continuing on its steady upward trajectory since the turn of the century (see Figure 4). Since 2000, DFI activity has increased more than three-fold. This expansion is in part due to the emergence of new DFIs in the market over time, as well as increases in some DFIs’ capacity and resulting new commitments. With passage of the BUILD Act in 2018, which replaces the Overseas Private Investment Corporation with the expanded U.S. International Development Finance Corporation, the United States also bolstered its own untied development finance program.

²⁵ DFI data refers to annual commitments from bilateral DFIs in the United States [Overseas Private Investment Corporation (OPIC)], Europe [Association of European Development Finance Institutions (EDFI)], and, for 2018 only, Canada [the Development Finance Institute Canada (FinDev)]. Sufficient information is not available on Japanese, Korean, and Chinese development-finance programs to include them in this analysis. Throughout the report, data on DFIs refers to this group of DFIs. Where applicable, data has been converted from EUR to USD based on average annual exchange rates as reported by the OECD.

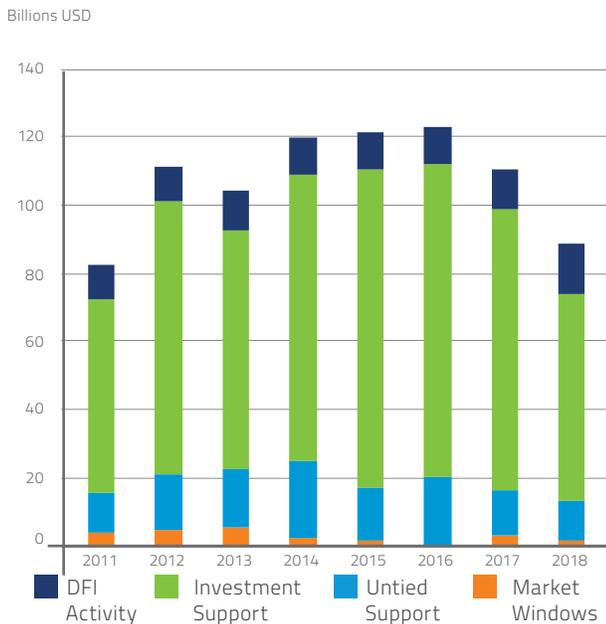
Figure 4: DFI Activity in the 21st Century 2000-2018



Sources: EDFI, annual reports

Largely reflecting the 50 percent decline in Chinese investment support, in 2018 the total MLT trade-related activity dropped nearly 30 percent from 2014 to 2016 levels, roughly returning to 2011 levels of around \$85 billion. In the absence of data on the transactions supported by these programs, there is nothing to indicate whether this significant drop is anomalous or signals a new trend (see Figure 5).

Figure 5: Total Official MLT (Non-Export Credit) Trade-Related Activity from OECD and non-OECD Countries



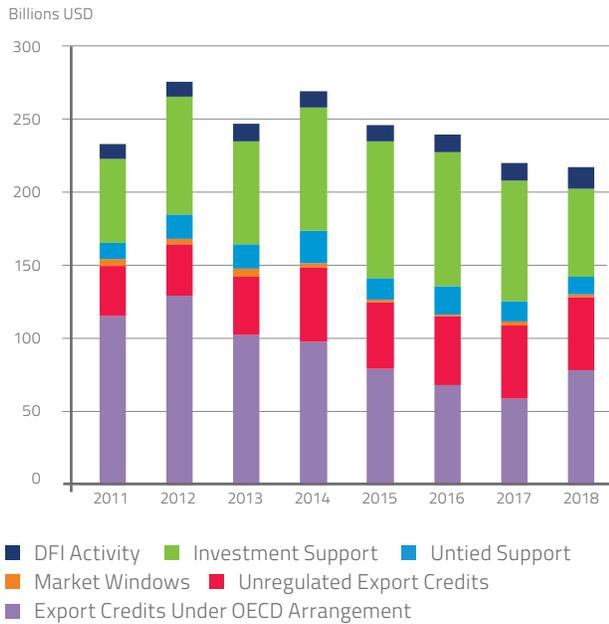
Sources: EXIM, bilateral engagement, Berne Union, annual reports

In sum, OECD Arrangement MLT export credit activity provided by OECD Participants has gone through an extreme business cycle over the last 10 to 12 years and—while 2018 data on its own may or may not demonstrate a trend—many ECAs have reported to EXIM that 2018 may be the start of another upturn in demand. On the other hand, BRICS and DFI activity has been steadily growing for years and that dynamic shows no signs of changing.

Looking over the 10-year span since the GFC, three developments are notable:

1. Total official MLT financing in 2018 continued its decline from 2012 record levels (see Figure 6), but the underlying trends are mixed.
 - a. The overall decline mainly reflects the large drop in investment activity mostly driven by China; investment support provided by OECD countries was generally flat year on year. Until the significant drop in 2018, investment activity had only seen a mild decline from 2015.
 - b. Arrangement-compliant export credits surged year on year in 2018 after years of decline. Unregulated export credits have remained largely stable around or slightly above \$50 billion per year since 2014.
 - c. Untied support has undulated on a downward trend since 2014; despite this trend in volume, ECAs continue to report the introduction of untied programs.
 - d. DFI activity has continued its steady increase. While its rate of increase historically has been moderate in terms of volume, DFI activity has been increasingly recognized by stakeholders as an important component of the overall export and trade-related activity.

Figure 6: Grand Total of Official MLT Export and Trade-Related MLT Activity from OECD and non-OECD Countries)

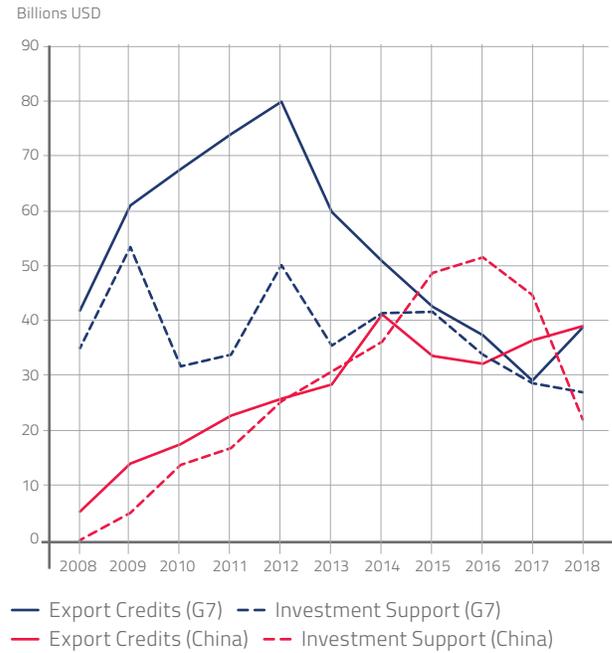


Sources: EXIM, bilateral engagement, OECD, Berne Union, annual reports

2. Chinese activity has quadrupled—going from approximately one-tenth of G7 activity to roughly equal (See Figure 7);
 - a. China’s standard MLT export credit activity has trended upward for 10 years (continuing in 2018, reaching some \$39 billion).
 - b. Despite a precipitous \$20 billion decline in investment support year on year, China still retained the position of single-largest provider of investment support.

The year 2018 broke a trend of annual decreases in the percentage of total Arrangement-regulated activity as a portion of total export and trade-related finance—declining from about 100 percent in 1999 to a low point of 27 percent in 2017, rebounding to about 36 percent in 2018.²⁶ The combination of lower Chinese investment support and increased Arrangement-compliant activity—up over 30 percent in 2018—punctuated this trend.

Figure 7: G7 and China – A Decade of Official MLT Export Credit and Investment Activity



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

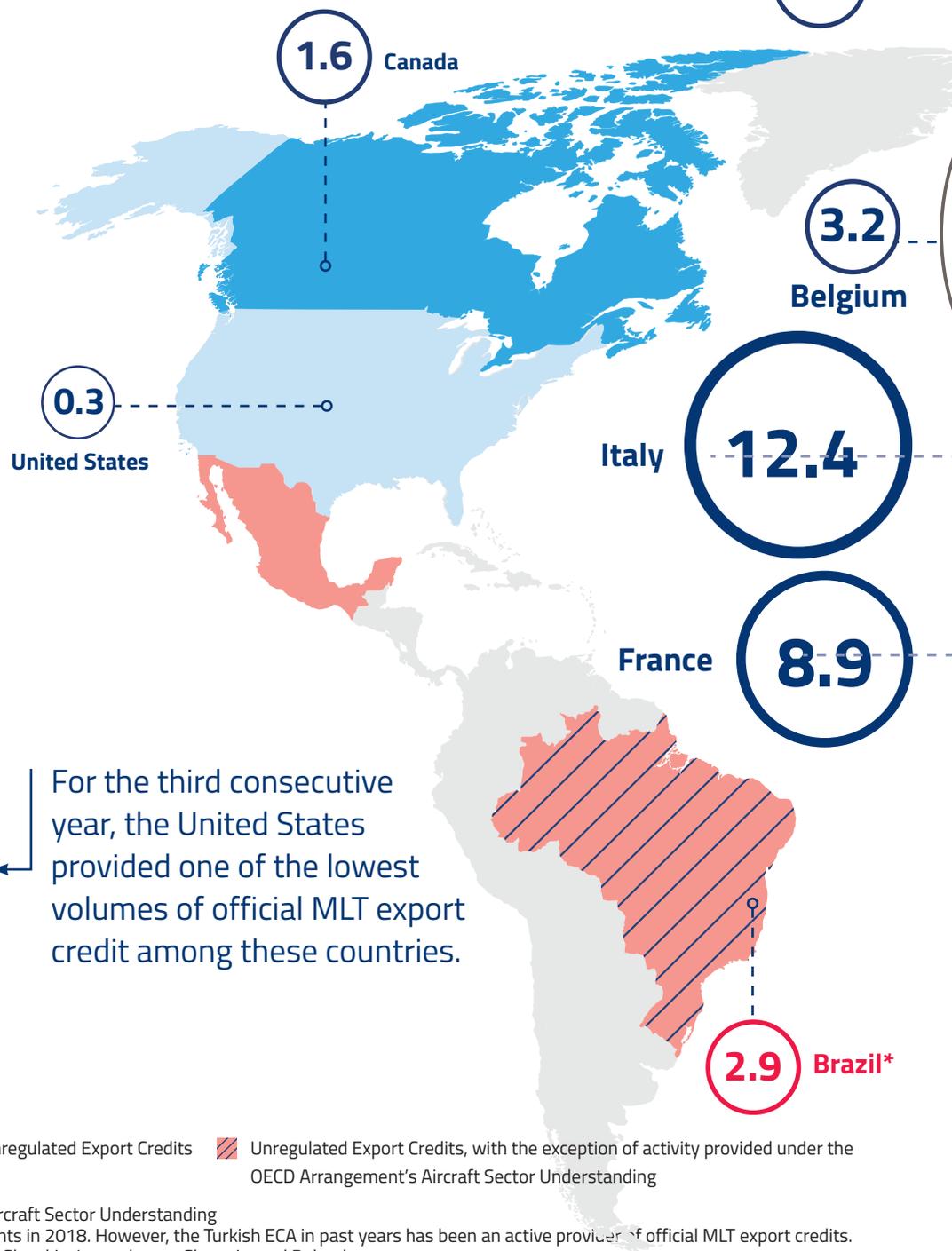
²⁶ This figure for 2018 activity includes DFI data in the calculation and, as such, is not directly comparable to figures published in previous editions of this report.

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

In Billions USD

1	China	39.1
2	Italy	12.4
3	Germany	12.0
4	Korea	10.6
5	France	8.9
6	India	7.6
7	Denmark	5.1
8	Spain	4.3
9	Sweden	3.4
10	Belgium	3.2
11	Netherlands	2.9
12	Brazil*	2.9
13	Finland	2.7
14	United Kingdom	2.4
15	Switzerland	2.0
16	Canada	1.6
17	Austria	1.4
18	Japan	1.3
19	Russia	1.0
20	Hungary	0.6
21	Czech Republic	0.5
22	South Africa	0.4
23	Norway	0.4
24	Australia	0.3
25	United States	0.3
26	Israel	0.3
27	Mexico	0.1
28	Turkey**	0.0
--	Other OECD***	1.1

In 2018, 28 countries provided noteworthy levels of export credit for MLT transactions.



■ Export Credits provided under the OECD Arrangement

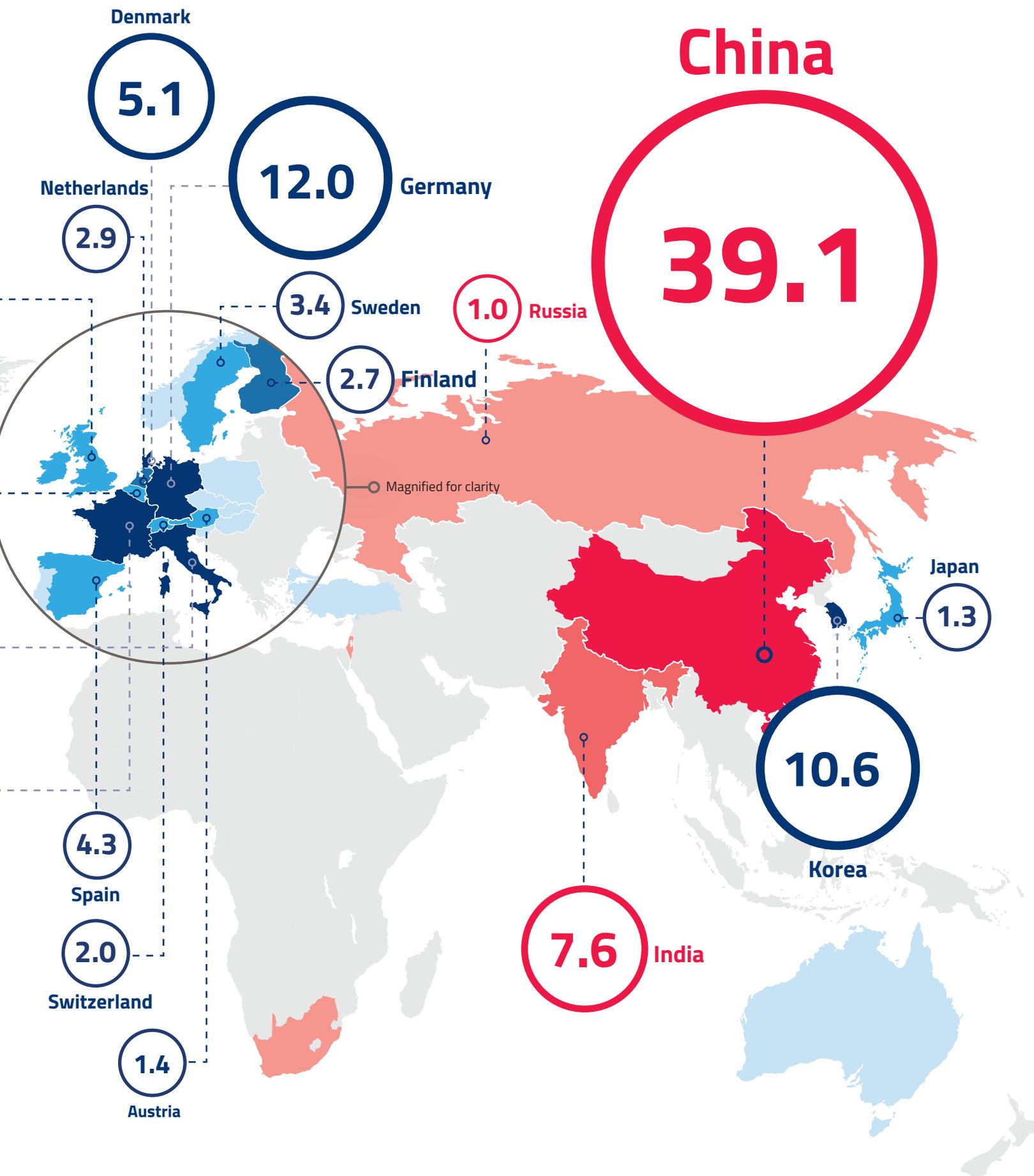
■ Unregulated Export Credits

▨ 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 zero new MLT commitments in 2018. However, the Turkish ECA in past years has been an active provider of official MLT export credits.

*** Other OECD Participants include 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.

EXIM's Medium-Term Program and Activity

Introduction

EXIM's medium-term (MT) program has not historically been a focus of the Competitiveness Report because MT activity usually represents a modest share of ECA MLT activity.²⁷ The previous two Competitiveness Reports included a chapter on the MT program since EXIM's inability to authorize long-term transactions in 2016 and 2017 left the MT program as EXIM's only active MLT program. As the lack of a board quorum persisted through 2018, EXIM is again presenting a brief chapter focused on EXIM's MT program and how it compares with medium-term support provided by the major ECA competitors.

EXIM's MT program consists of insurance and loan guarantees to support transactions in amounts up to \$10 million and that have tenors between two and seven years.²⁸ EXIM staff positions to which the EXIM Board of Directors have previously delegated authority can approve MT transactions. This means that those transactions do not require board approval. Transactions supported by EXIM's MT program are not subject to U.S.-flag shipping requirements.²⁹

EXIM Activity

Although EXIM authorized \$301 million of MT transactions in 2018, and this figure represents the highest MT volume in the years after the GFC, EXIM MT activity is still below the average pre-GFC volumes. A significant portion of EXIM's MT activity typically supports U.S. exports of both business jets and agricultural aircraft, primarily to buyers in Latin America.

Foreign ECA Activity

Generally, foreign ECAs do not offer a separate type of program for what EXIM considers "medium-term." Instead, most ECAs treat applications with repayment terms of two years or more similarly, irrespective of the transaction amount. For that reason, EXIM again this year pulled a subset of the OECD ECA MLT export credit data from the last several years that appeared to match EXIM's MT criteria in terms of tenor and value. That data provides an empirical (yet imperfect) basis for comparison of EXIM MT activity and risk appetite to that of the major foreign ECAs.

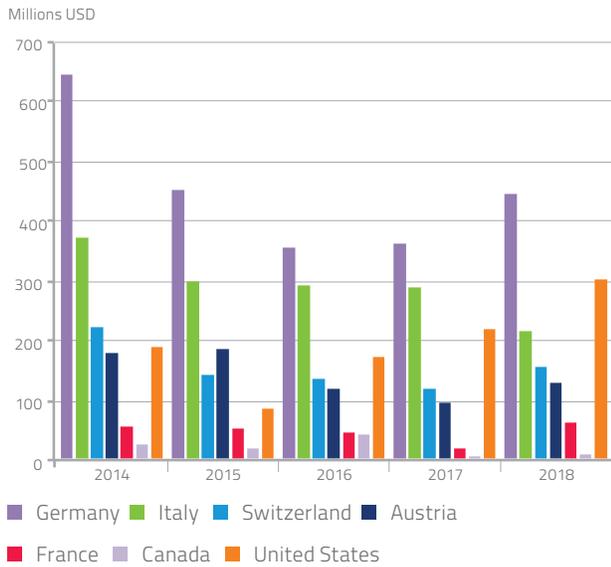
As shown in Figure 8, overall foreign ECA MT activity was up in 2018. Germany continues to lead by providing a total of \$450 million in MT export credit support. MT transactions authorized by Germany and other European ECAs generally supported capital goods exports to buyers in Russia, Turkey, Brazil, and Mexico. While EXIM does little MT business in Russia and Turkey, Brazil, and Mexico are key markets for EXIM MT activity.

27 For example, in a typical year since the GFC and when EXIM has been fully operational, MT activity represented only 3 percent of EXIM's MLT authorizations.

28 In certain cases (for example, environmentally beneficial exports), EXIM can provide support under the MT program for tenors longer than seven years. In rare circumstances, EXIM provides direct loans under the MT program; this has been done only three times in the last 10 years.

29 In the rare cases where a MT direct loan is provided, U.S. shipping is required.

Figure 8: Major ECA MT Activity, 2014-2018



Source: OECD

Risk Appetite: As measured by transaction-credit classification score (a measure of credit risk that combines the credit and country risk rating into a single credit-rating agency score), EXIM historically has shown less risk appetite in the MT segment than other OECD ECAs. Figure 9 below breaks down that spread.

Of the main providers of MT support, EXIM seems to have had a similar risk appetite to the European ECAs in 2018 except for SACE (Italy), which displayed a much higher risk appetite. However, there is not sufficient detail in the data to indicate whether the difference in categorization reflects differences in practice with use of risk mitigants versus differences in case risk appetite.

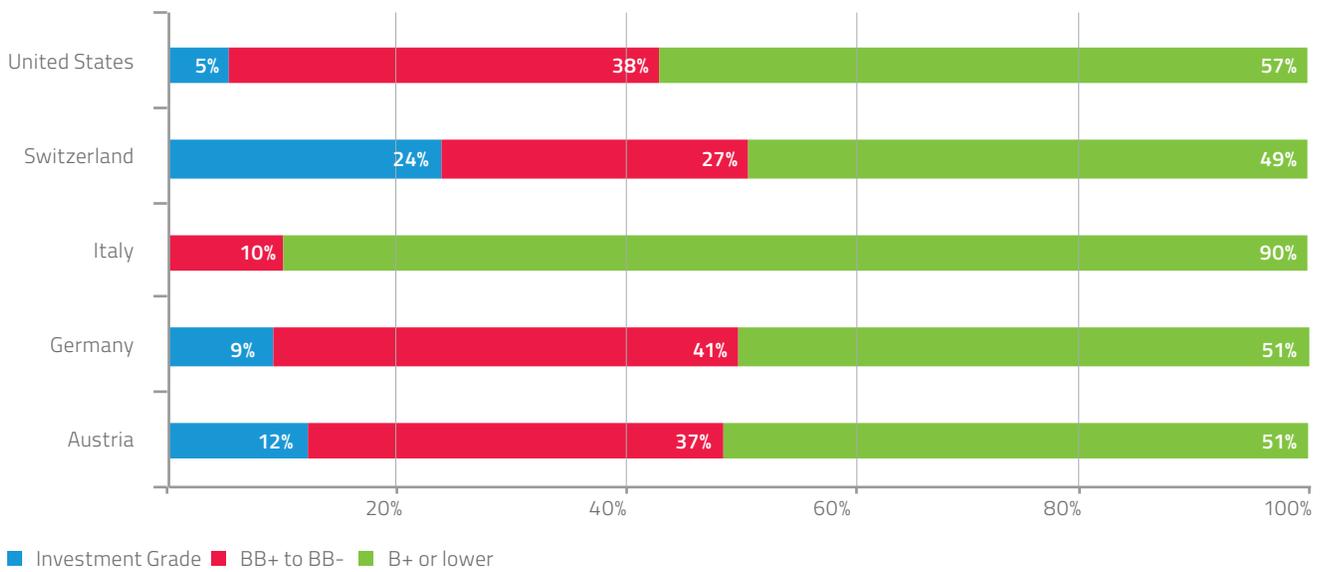
Survey and Focus Group Results

While U.S. exporters reported improvements in pricing during 2018 for the MT transactions, exporters have continued to express frustration over seemingly more stringent credit standards for EXIM MT support relative to the LT program that generally lead to higher prices for similar borrowers in the MT program.

Competitive Implications

Little has changed in EXIM’s MT program over the last year. Volumes were up for EXIM, as was activity for some OECD ECAs, especially Germany and Switzerland. The U.S. export community still finds EXIM’s MT requirements, particularly around mitigants such as a security interest in the exported equipment, to be broadly uncompetitive. Other ECAs generally do not require mitigants such as a security interest in transactions of a similar size.

Figure 9: Composition of MT Activity by Risk Rating, 2018^{30, 31}



*Figures may not add up to 100% due to rounding

Source: OECD

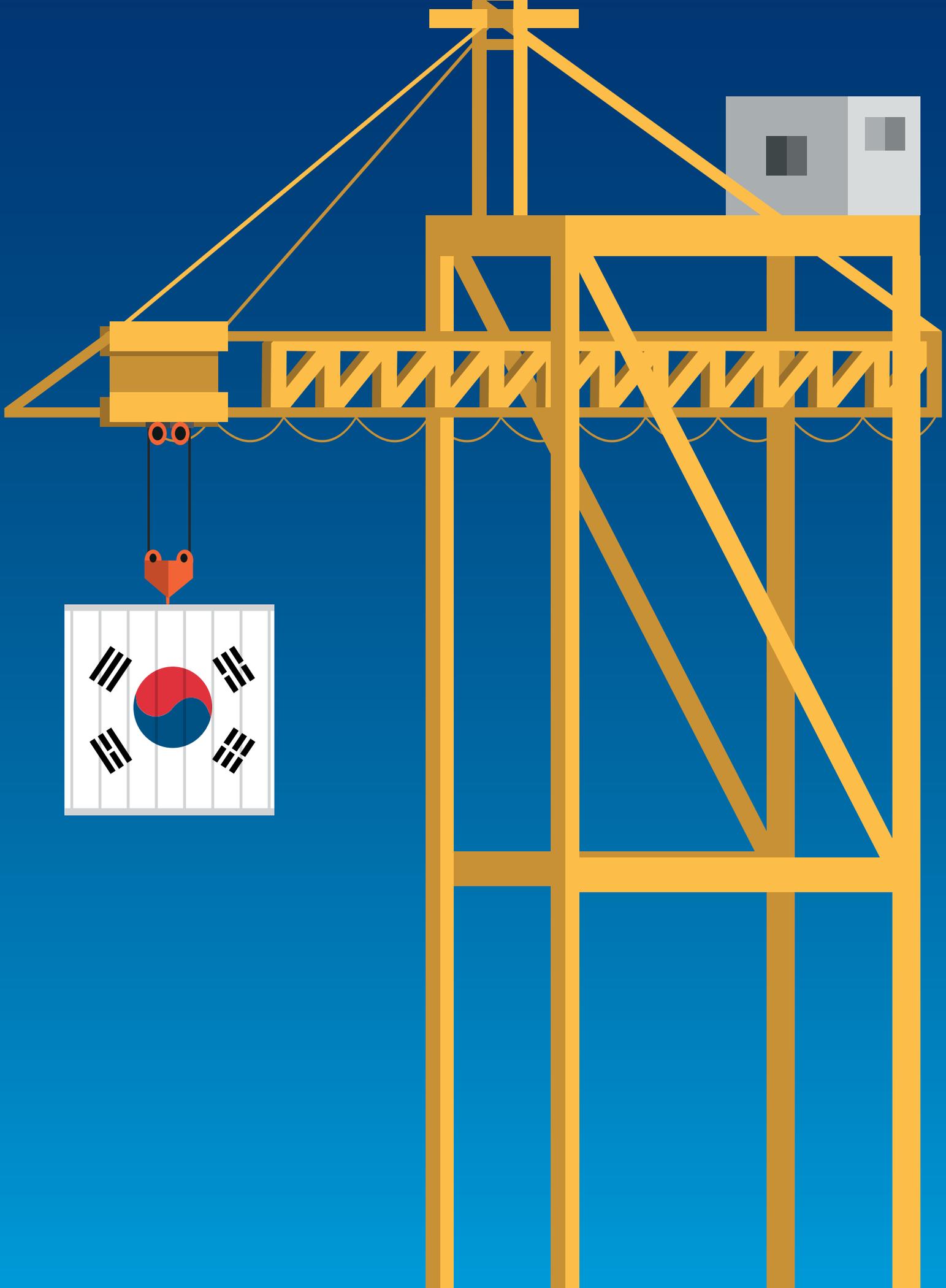
30 There is no common rating system among OECD countries and therefore the table represents an estimate of risk distribution.

31 For some countries there were certain transactions that could not be rated due to the transactions using the market benchmark pricing mechanism. Pricing for certain transactions in a high-income country must be consistent with at least one of the market benchmarks outlined in the OECD Arrangement.

Section 2

Export and Trade-Related Finance: Then and Now

The Global Financial Crisis fundamentally changed the official export credit landscape to the point where the market looks drastically different today than it did prior to the crisis. The exporting community has reported that, in light of these changes, a competitive ECA today looks very different from the most competitive ECA of yesteryear. Additional factors that influence the competition that U.S. exporters face, beyond simply the volume of support provided, have been exacerbated. This chapter compares eight factors in the market that have changed between “then” (the years leading up to the crisis and 2008) and “now” (2018).



Overview

Prior to 2016, EXIM's Competitiveness Reports reported on new policy developments and activities foreign ECAs had introduced in the previous year and compared them to EXIM's policies and activity. However, evaluating individual modifications over the past several years without EXIM as a reference has revealed that, when taken together, a pattern emerges across EXIM's foreign counterparts and ultimately speaks to a fundamental shift in ECAs' *raison d'être*. This shift has impacted almost every facet of foreign ECAs from their products, programs and policies to their mandates, strategies, and roles within their governments.

To adequately capture the scope and scale of the evolution that has taken place, it is necessary to look back in time, pre-GFC. "Then," competitiveness was easier to measure and often focused on a finite set of entities competing on the basis of tangible factors such as interest rates and pricing. "Now," in 2018, there is still some of that, mainly between OECD and non-OECD members not party to the rules governing those, but competition is also being driven by demands from foreign buyers. Importantly, today competition is not simply a function of the volume, or the terms and conditions of export credit support. Instead, competition is principally a function of the innovative solutions a government—not just an ECA—can offer. Being competitive is a constantly moving target. As such, competition is harder to measure and assess.

"The European ECAs have expanded so rapidly while the U.S. is playing politics." – Lender

Nonetheless, it is clear that there have been fundamental shifts in the aspects of competitiveness that make a competitive ECA today look very different from the most competitive ECA of yesteryear. Because of this dynamic, the question of EXIM's competitiveness may no longer be one of EXIM vis-à-vis the standard Arrangement-governed programs of its foreign ECA counterparts alone but, instead, EXIM vis-à-vis foreign ECA support taken together and as part of government-wide, strategic approaches towards trade promotion. Today, strategic objectives are increasingly intertwined with trade objectives and, as such, yield a more potent competitive threat to U.S. exporter competitiveness.

"Since I started working on ECA business 15 years ago, things have certainly changed a lot since then. Other ECAs have become more competitive." – Exporter

Innovation, evolution, revolution, transformation, change—regardless of the term, even the casual observer would detect an obvious and fundamental shift between the nature and components of export and trade-related activity in the years prior to the GFC and today.

- **Then:** Almost all official MLT support was comprised of export credit provided by OECD countries' ECAs for specific projects in middle-income markets, on Arrangement terms, and in response to buyer inquiries.
- **Now:** Most official MLT support is provided outside the Arrangement with a large share going to developed countries and increasingly in response to ECA-stimulated incentives.

But the changes do not stop there. Peel back the top layer and one quickly finds seemingly endless changes across almost every aspect of export finance, which can be divided into the following categories shown in Figure 10.

Figure 10: Comparing Export and Trade-Related Finance: Then and Now

	Then (Pre-GFC)	Now (2018)
Providers	OECD ECAs, primarily the G7 countries + Korea	OECD ECAs + China (and other BRICs + new [minor] ECAs); DFIs
Recipients	Middle-income markets	Ranging from Least Developed Countries to high-income OECD; buyers requiring ECA financing in their requests for proposals
Products	Pure cover (guarantees and insurance)	Pure cover, direct lending, bond guarantee, and insurance
Programs	Tied export credit; market windows	Tied export credit, investment support, untied export credit (e.g., push/pull programs), market windows, DFIs
Policies	High content requirements (around 50 percent or more)	More flexible (not just lower percentage required, but shift to national interest, liberalized definition of “content”, etc.)
Mandates	Support export sales	Support not just exports, but exporters, investment, and economic growth generally
Strategies	Lender of last resort, focused on short-term wins (i.e., winning a single export contract)	Proactive deal makers (using e.g., matchmaking, overseas offices), focused on long-term gains (e.g., inducing sourcing and moving supply chains in the long term)
Role Within Government	Rarely part of wider government strategies, with some ECAs’ existence being questioned	Central to various government strategies, seen as engines of growth, and national industry protectors, but also not acting alone – part of a team that includes trade ministries, DFIs, and aid agencies

Each of these components impact the other, but the overall evolution from then until now clearly shows a fundamental change in the nature of how other countries are using their ECAs and what goals they expect them to meet. With respect to these factors the rest of the world is doing more: there are more providers, more types of recipients who demand more aggressive terms, more types of products, more types of programs, more variations in—and exceptions to—policies, more proactive strategies, more expansive mandates, more prominence within governments. With all of this “more,” buyers face an increasingly diverse menu of choices, and exporters face increased competition in the source, nature, and time frame of financing.

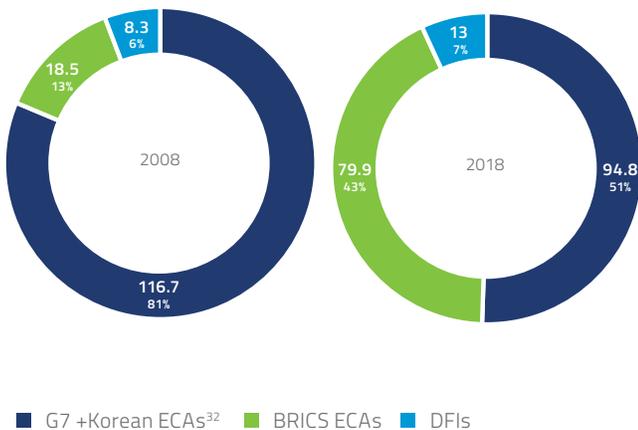
“Another significant driver for change is the emergence of Asian ECAs, notably in China, whose volume of largely unregulated trade support has quickly grown to dwarf the levels of support provided by any other ECA. This has invoked a response by other countries to adopt more aggressive trade promotion as the playing field becomes increasingly competitive.” – EDC

Providers: Then and Now

The scope of EXIM’s Competitiveness Report, in its growing coverage of particular export and trade-related finance providers, has corresponded with the expansion of these institutions over the years. Prior to the 2011 Competitiveness Report, reports focused on the export and trade-related activity of the G7 ECAs because they were the primary providers of export finance. With BRICS country ECAs exploding onto the scene with their export and trade-related finance programs, as shown in Figure 11, the increase in the number and size of these institutions resulted in larger competitive implications for U.S. exporters. As mentioned in Section 1, DFIs have also expanded—not only in number and volume, but also in their role in this market—when comparing then and now. In 2008, the volume of activity provided by DFIs and BRICS ECAs was one fifth of that provided by the G7 and Korean ECAs. Today, the same two groups are about equal in the amount of financing provided in the market.

Figure 11: Evolution of Key Providers of Export and Trade-Related Finance Then and Now

Commitments in Billions USD



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

In 2008, China provided a small portion of the export and trade-related support generated by major ECAs. A decade later in 2018, China stands in a league of its own as a provider of export and trade-related finance. China provided more official export and trade-related support in 2018 than the next three countries (Korea, Japan, and Italy) combined. As such, it is not surprising that the exporting community has reported that the volume and breadth of Chinese activity raises significant competitiveness concerns.

DFIs “Then and Now”

As outlined in Section 1, DFIs have begun providing export finance and matching exporters with foreign buyers in recent years. These developments are not the only evolution across DFIs over the past several years. As noted in last year’s report, the Association of European Development Finance Institutions (EDFI) reports that the aggregate portfolio of its 15 members’ total commitments has tripled since 2005. After conducting further analysis, EXIM has found that, in terms of new annual commitments from DFIs in Europe and North America, DFI volumes have continued on an upward trend and more than doubled over the same time period.

Moreover, DFIs’ visibility and stature in the market has grown. Devex has reported that, according to Soren Andreasen, General Manager at EDFI, in the past “[DFIs] did things that were relevant for development, but a number of them were **financial institutions living a quiet life without any significant profile** in any development policy of their countries. Many countries didn’t have economic development or private-sector development policy as part of their aid strategy and **none had [a] policy on how DFIs fit into private sector strategy.**” But today, DFIs are an increasing focus in both the development and export finance space, and an increasing focal point of their governments. For example, DFIs in the U.S., UK, and France (among others) have all had their exposure caps increased, or have received increased capitalization from their governments, in the past few years.

*“In July 2015, the Department for International Development approved a £735 million recapitalisation business case for the CDC Group plc (CDC), the **first government funding for CDC in 20 years. Less than two years later, the Commonwealth Development Corporation Act increased the limit on government funding for CDC from £1.5 billion to £6 billion, with the option of further increasing the limit to £12 billion.**”*
 – UK House of Commons, Committee of Public Accounts

*“French President Hollande... announced last September [2014] that an additional €4bn would be channelled to development financing between now and 2020... **The President’s statement was a reaffirmation of [Proparco’s] key role in France’s development financing programme.**”*
 – Proparco

Beyond a growing portfolio, stature, and resources, the number of DFIs in the market also has grown over the years, and continued to do so in 2018. In Europe alone, as Devex reports, “There were about seven active DFIs when the association for European DFIs was founded some 25 years ago; today there are 15.” Beyond the EDFIs, 2018 saw Canada’s new DFI, FinDev, take its first steps into the market, and also saw the creation of China’s new International Development Cooperation Agency and Australia’s Infrastructure Financing Facility for the Pacific, both of which could introduce similar financing into the market in the coming years.

32 The United States has been removed from this analysis, given its lack of MLT activity in 2018.

Recipients: Then and Now

The general trend across the recipients of export credits has been a major change in direction from ECA business being concentrated in middle-income economies to spanning a more diverse range of recipient markets. In particular, many foreign ECAs have observed that the reduction in commercial financing available following the GFC and Eurozone Debt Crisis has resulted in a greater demand for their official export credit support in investment-grade markets to fill the gap between demand and private-sector supply. According to the OECD, from 2007 to 2012, upper-middle-income countries had generally received the largest portion of total official MLT export credits provided under the Arrangement, and, since 2013, high-income countries have generally received the largest portion.³³ In 2018, Berne Union member ECAs provided approximately 54 percent of their MLT activity to high-income markets.

*“...we have indeed seen **larger volumes in OECD markets** the last couple of years.” – Peter Tuving, chief credit officer and head of risk advisory and CSR, EKN³⁴*

*“Our biggest sector when it comes to OECD countries is telecom and over the years we have seen highly rated telecom operators increase their demand for EKN cover simply to diversify their financing. This reflects the wider pattern we are seeing, that **companies, especially in the OECD markets, want to diversify their financial resources.**” – Marie Aglert, director of business area for Large Corporates, EKN³⁵*

*“Since the last Legislative Review [in 2008], **Western Europe has emerged as a priority EDC market** with steady growth in customers served and business volume.” – EDC*

*“**With billions of dollars available in capacity and a dedicated team for the [GCC] region, UKEF is now working on-the-ground with project owners to highlight opportunities to collaborate in priority growth sectors.**” – David Moleshead, senior counsellor, UKEF*

“As for the expansion of the functions of JBIC, seven functions were added as stipulated by the [2011] JBIC Act... [including the ability to provide] export finance for developed countries...” – JBIC

Patterns have also emerged in the behavior and preferences of recipients of export finance. Today, some importers are including ECA financing as a condition in their requests for proposals (RFPs). U.S. exporters reported facing difficulties in 2018 when bidding on major projects that required the exporter to demonstrate ECA financing as part of their bid. Some RFPs not only clearly state a requirement or preference for ECA financing specifically, but also that the **exporter’s financing proposal is equal in importance to the technical proposal**. More specifically, some RFPs score financing proposals based on the following factors:

1. Lowest interest rate,
2. Longest repayment term,
3. Lowest fees, and
4. Shortest time to get financing finalized

As the following quotes illustrate, in light of the lack of LT financing available from EXIM in 2018, U.S. exporters reported an unequivocal competitive disadvantage in cases where ECA financing was a prerequisite for the bid. The images in Figure 12 are taken from real RFPs that U.S. exporters have bid on, including some that weight the financing in the way referenced above, and in which U.S. exporters have competed against exporters supported by non-Arrangement financing.³⁶

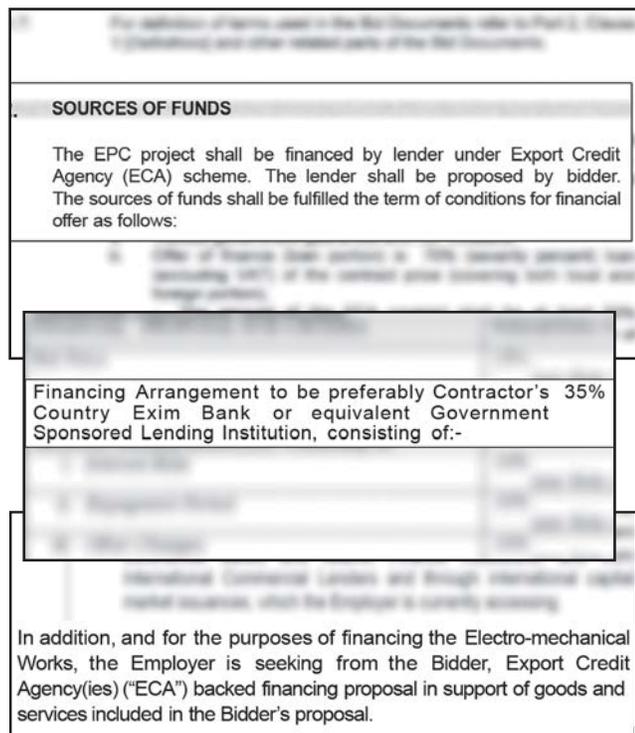
33 This refers to patterns in “core” official MLT export credit activity (i.e., export credits provided under the Arrangement but not the Aircraft Sector Understanding or Ship Sector Understanding).

34 As reported by TXF

35 As reported by TXF

36 These examples were selected out of a number of examples to reflect a representative sample. These are excerpts from RFPs for different infrastructure projects on which either a U.S. small business exporter or a larger U.S. exporter bid to provide goods and/or services in each case. These three projects were located in Africa, the Middle East, and the Indo-Pacific. Further details have been kept confidential due to the competitive nature of the bidding process, including those that are currently still ongoing.

Figure 12: Sampling of RFPs Referencing ECA Financing



Source: U.S. exporters

"I ran the power business 20 years ago and financing almost never came up as part of the package that we would create to fulfill the needs of a big power project in an emerging market, and today it's always part of the discussion." – John Rice, chairman, GE Gas Power

*"Frequently, **export credit financing is spelled out in the bidding documents.**" – John Rice, chairman, GE Gas Power*

*"Your bid is technically not valid if they ask for an **export credit option and you don't provide it.** So even if you have the best technical solution and the best price, your competition is going to object if you win and they're probably going to prevail." – John Rice, chairman, GE Gas Power*

"These new advanced energy production capabilities [are] really significant. And the U.S. cannot even bid without EXIM, we can't even sit in the room at the table without EXIM"
 – Seth Grae, president and CEO, Lightbridge Corporation

"Sponsors are asking really aggressive terms and conditions. Sometimes with terms I haven't heard before—and I've been [here] for 20 years. These are unprecedented transaction conditions we're exposed to, but we have to go forward and work with them, as they're big clients." – KJ Yang, director of oil & gas downstream, industry, telecoms, and plant finance, Export-Import Bank of Korea³⁷

*"RFPs often make an ECA financing indication one of their bid requirements, so **if you can't provide a letter of interest or better** to pair with commercial and technical aspects of a bid, **you're immediately eliminated from the bid.**" – U.S. exporter*

*"International **nuclear power plant contracts almost always require** the bidder (in this case, a U.S. supplier) to offer **export credit financing** for the high capital cost of building a reactor. This is true not just in emerging markets where capital is less available and commercial nuclear energy opportunities are most concentrated. But **even in Europe and the Middle East, financing is a participation requirement. This makes a competitive export credit agency, like the Ex-Im Bank, absolutely vital to winning a bid.**" – Nuclear Energy Institute (NEI)*

*"[We] had to maintain and grow our sales pipeline **with credible sources of export finance backing of bids to win contracts.**" – U.S. exporter*

*"Under the current model, **the best product or the best technology doesn't necessarily win if you don't have the financing to go with it.**" – Paul Denton, senior vice president, marketing and advanced technologies, Progress Rail*

*"Our member companies have lost orders...**very often they're not even approached because there's not access to financing.**" – Tom Stroup, president, Satellite Industry Association*

37 As reported by TXF

Products: Then and Now

Prior to the GFC, North American and Asian ECAs had direct lending capabilities. However, most European ECAs had primarily been “pure cover” or guarantee and insurance providers. In the wake of the GFC, when commercial banks’ lending capabilities were constrained, major European ECAs began introducing direct lending products or mechanisms in order to provide funding. This trend was not a temporary phenomenon. Ten years later, ECAs still maintain and use these direct-lending products.

Also in the years following the GFC, EXIM introduced its current guaranteed-bond product, leading the way for other ECAs in France, the UK and Korea to follow.

It does not appear that the innovation and expansion of export finance products is nearing an end. In 2018, SERV (Switzerland) insured a bond for a project in Brazil, one of the first uses of such a product. In the UK Export Strategy published in 2018, the UK Government promised to “... analyze the full range of UKEF’s statutory powers to identify where we can consider creating new products and enhancing existing ones.”

Programs: Then and Now

As chronicled in Section 1, a large portion of MLT activity is occurring outside the Arrangement. Despite the increase in Arrangement-compliant activity last year, the overall decline in regulated support has been in large part due to, not only the rise of non-OECD ECAs, but also OECD ECAs turning to their non-Arrangement programs to remain competitive and to support objectives beyond export sales.

“Push” and “pull” programs, such as those which SACE and EDC operate respectively, were introduced to incent major multinational companies to shift the sourcing in their supply chains to come from these countries. These programs are not intended to help domestic exporters win bids on a single project or contract and, as such, often do not have stringent requirements (e.g., content requirements) for specific transactions. 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, regardless of whether or not the supplier company itself exports.

Exporters and lenders have reported that incentives can include, for example, lower premia, no down payment, or coverage of otherwise ineligible foreign content in a single transaction if a certain amount of sourcing is met in the long term.

“[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

While EDC reported that it would be an overstatement to say that ECAs are “converging on EDC’s model,” lenders reported unequivocally that “everyone is using the Canadian model.” In 2018, the Export-Import Bank of Korea reported that it is working to develop a similar product, and UKEF’s current public consultation on its content policy proposes the creation of a similar program.

ECAs like EKF of Denmark have also introduced “shopping lines” that have features similar to the “push” and “pull” programs. In 2018, EKF reported working on “ensuring awareness of Shopping Lines, a proactive service whereby EKF helps open doors for Danish exporters by offering credit to strategic foreign buyers. The buyers can use the credit to trade with more Danish suppliers, thereby facilitating access to export financing for Danish SME exporters in particular.”

Lenders reported that foreign ECAs are more willing to offer untied financing and operate outside the Arrangement for national interest reasons because they are all part of their government’s trade, foreign, and industrial strategies, which require this kind of flexibility in order to best support them.

“Like Chinese ECAs we’re flexing our muscles to be more relevant in the market – in terms of export and investment credit as well as push financings. We are developing a new financing product, which is like SACE’s and EDC’s financing... By changing our attitude and policy and introducing new products we can stay relevant.” – KJ Yang, director of oil & gas downstream, industry, telecoms, and plant finance at Export-Import Bank of Korea³⁸

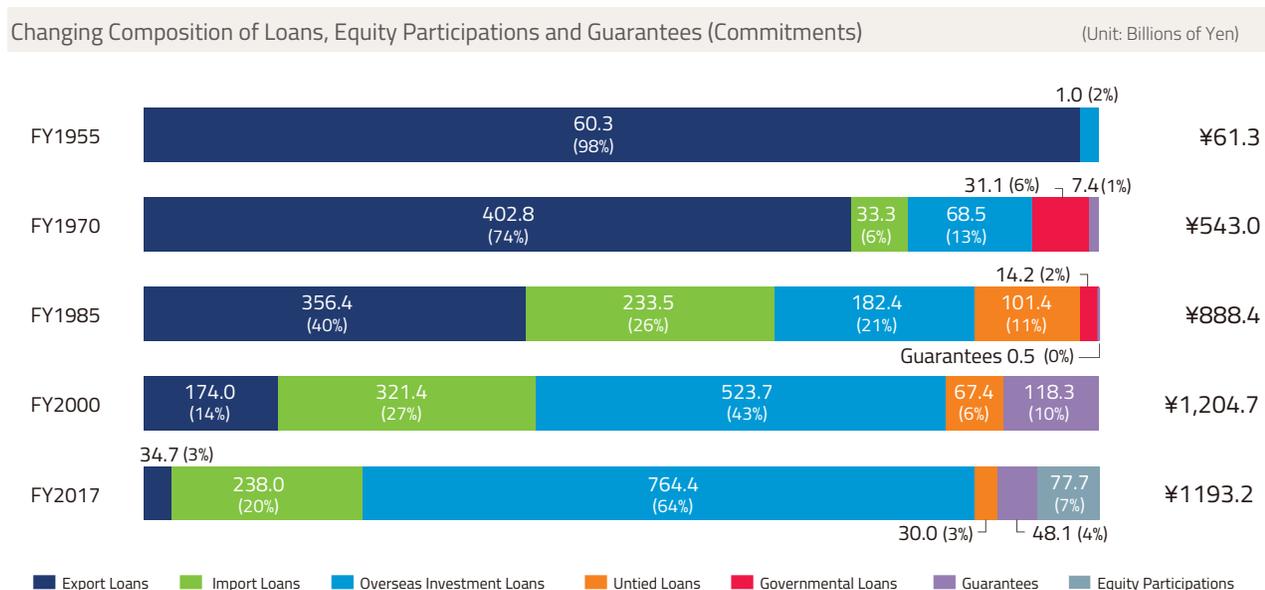
“...UKEF may impose additional measures, such as incentivisation mechanisms, whereby the level of support available from UKEF will be directly linked to current or future supply chain spend or commitments made by the applicant to increase the benefit to the UK and UK exports. Examples of this could include increasing future production in the UK, increasing the value or proportion of spend in the UK supply chain in the future, or increasing the number of jobs created in the UK in the future.” – UKEF

“It’s coming down to American exporters are being asked, can you subcontract out of Europe? Can you subcontract out of Korea? So that is absolutely happening...” – Patrick Gang, head of export and agency finance, Bank of America

While some trade-related non-Arrangement programs have been tools in some ECAs’ toolboxes for years, and their portion of total trade-related activity decreased in 2018, their increase in number and volume and the shifting attention towards these non-Arrangement programs and away from standard export credits, has demonstrated the dramatic change in trade-related programs then and now.

JBIC is a clear example of some countries shifting focus towards investment programs in place of export finance programs, as shown in Figure 13 below. As reported by Japan itself, a new model for Japan has emerged—the post-industrial ECA model—in which it uses its ECAs to support national champions and exporters, rather than exports, as its primary strategy. To do so, Japan is looking to its untied and investment programs to ensure Japanese presence in foreign markets and secure much-needed resources for Japan’s future. Japan has now averaged less than \$2 billion in official MLT Arrangement export credits for the past three years and, in 2018, provided what appears to be a record-low export credit volume since at least 2011. The figure below from JBIC’s 2018 annual report demonstrates the change in the composition of JBIC’s most-used programs over time, and shows the primary tool today is investment loans.

Figure 13: Changing Composition of JBIC Programs



Sources: JBIC

38 As reported by TXF

Policies (i.e., Content): Then and Now

The most dramatic and obvious policy shift has been the change in ECAs' content policies from the mid 2000's to today. As described in previous reports, this shift over time has been to make content policies more flexible, not just to be responsive to increasingly differentiated content levels across industries but, more importantly, to use as a "weaponized" tool to entice a company to shift sourcing (usually in the future). Instead of using minimum content requirements as eligibility criteria, today, ECAs are luring exporters to seek their support by dropping formal domestic content requirements, thereby allowing a relationship to build with exporters over time. Content levels are now a driver of strategic approaches to determining national benefits and a foundation for new non-Arrangement programs, as just described. In the early-to mid-2000s, most major ECAs including those in Germany, the UK, Canada, and Italy relied heavily on domestic content as a mission-oriented metric and had domestic content requirements of 50 percent or more that had to be met before financing a transaction. Today, most of these ECAs 1) have lower domestic content requirements, 2) more generously determine what qualifies as eligible domestic content, and 3) use content flexibility as a major competitive tool with which to attract and retain key exporters.

First, across most major ECAs today, there has been a notable decrease in the level of domestic content required to obtain maximum official support for a transaction, ranging from no actual in-country production required to 30 percent content required. The transactions that require no domestic content are typically meeting more lenient "national interest" or "national benefit" requirements.

Second, ECAs have also liberalized their definition of domestic content by using factors that contribute to domestic jobs and other economic benefits (e.g., research and development expenses, taxes paid, promises of future procurement, etc.) in lieu of traditional content. EXIM has even heard reports of production by overseas subsidiaries counting as domestic content at some ECAs. These types of factors are seen as beneficial to the domestic economy just as manufactured goods exports are,

and, as such, in the name of their country's "national interest," "benefit," or other determination, ECAs have supported companies that conduct these activities.

Finally, ECAs have come to use their content policies as more of a help than a hindrance. They allow exceptions to content policies on an exporter-to-exporter and case-by-case basis if a transaction is deemed important and they have different content policies for different programs or products in order to achieve different aims. Some ECAs require more domestic content when operating in more challenging markets in order to achieve a more favorable risk-reward, or use low or zero content requirements to offer support to companies who would otherwise be ineligible for the ECA's support on the basis that the company will eventually shift their supply chain to source from the ECA's country. UKEF began reviewing its content policy in 2019, proposing that UKEF take into account current or future supply chain commitments in its consideration of an applicant's UK content.

"ExIm's content policy is significantly more stringent than other foreign ECAs, who are utilizing low content levels to encourage the development of industry in their markets. ExIm's compliance requirements for verifying content levels are also much more cumbersome and stringent than other ECAs, who have moved away [from] high local-content levels recognizing the current state of global value chains." – Survey Respondent

European ECAs in particular use progressive content rules as a way to grow business, stay relevant, and induce supply-chain shifting.

Overall, while foreign ECAs may reference domestic content as one way to advance their missions, traditional domestic content is neither the only, nor primary, focus today. Foreign governments pursue national interest objectives through their ECAs as a means to support strategically important transactions, national champions, and broader economic goals.

“...in terms of innovation and supporting new flexibility on content or local currency debt, direct lending, flexibility on the overall structure, everyone has taken 10 steps forward over the last five years....”

– Patrick Gang, head of export and agency finance, Bank of America

“This is a message that I have to all international banks: we can guarantee foreign companies as long as there is adequate sourcing from Sweden.”

– Marie Aglert, director of business area for large corporates, EKN³⁹

Mandates: Then and Now

The traditional concept of content and all that it stands for—supporting manufactured goods made within a country’s borders—had typically been ECAs’ *raison d’être* that was synonymous with their mandates. In other words, ECAs existed to support the export of manufactured goods to help support domestic employment, one transaction at a time. The changes in content requirements and the expansion into even more programs not covered by the Arrangement are reflected in the ways that ECAs’ mandates have also been stretched. Typically through legislative action, ECAs’ mandates have expanded to encourage support for a host of national “benefits” (e.g., support for supply chains).

In 2019, the Australian government expanded Efic’s mandate to include a new overseas infrastructure financing capability. Moreover, Efic is mandated to also assess transactions based on a more general “Australian benefit” concept, and no longer just on the basis of whether a transaction increases the number of people employed in Australia during the term of an Efic loan. “Australian benefit” has been broadly interpreted to mean a direct or indirect benefit that will be realized now or in the future, such as Australian participation in supply chains, dividends or other financial proceeds flowing to Australia, or stronger relationships with countries in the Pacific region. With this expanded mandate also comes expanded capabilities—Efic’s callable capital has been increased six-fold alongside this change in mandate.

³⁹ As reported by TXF

“... the Government will ask Parliament to give Efic, Australia’s export financing agency, an extra \$1 billion in callable capital and a new more flexible infrastructure financing power to support investments in the region which have broad national benefit for Australia. It’s in our interest [and] that’s why we need to do it.” – Hon Scott Morrison MP, prime minister of Australia

In recent years, other ECAs such as EDC and UKEF for example, have also reported legislative expansions of their mandates, including:

“Our legislative parameters ... have been expanded over time to offer sufficient flexibility for EDC to evolve and keep pace with the changing needs of our customers.” – EDC

“While all ECAs support the trade of their exporters, EDC is also tasked with a more proactive mandate to “develop” export trade—and can undertake activities that support or develop trade either ‘directly or indirectly’. The flexibility that is built into our mandate has shaped the evolution of EDC’s business, particularly with respect to the advancement of trade creation financing programs (pulls, protocols and equity connect), and the knowledge and connections services that we can offer to our customers. Our mandate differentiates EDC from many other ECAs in our ability to proactively respond to Canadian companies’ needs and remain relevant as those needs change over time.” – EDC

“...amendments [made in 2015] to the Export and Investment Guarantees Act (EIGA)... widen the ability of UKEF to support the exporting activities of firms carrying on business in the UK, those in exporting supply-chains or aspiring exporters.” – UKEF

Asian ECAs have broad mandates and have used this to their advantage. For example, JBIC’s (Japan) mandate doesn’t even mention exports, but does specifically mention, among other things, securing natural resources that are important for Japan. This

has allowed JBIC to choose from its array of programs to finance overseas energy projects on the basis of supporting Japanese investors involved in those projects (rather than Japanese exports or exporters) and securing natural resources being routed back to Japan. KEXIM's (Korea) mission is equally broad: "Development of the national economy through promotion of international economic cooperation," as is China EXIM's: "to facilitate China's national development strategies."

It has been through these broad mandates, paired with flexible content policies and programs, that ECAs have become vehicles for growth generally, by whatever means necessary—even if that means shedding their traditional ECA image.

Strategies: Then and Now

Just like other classic ECA attributes, there has historically been a classic ECA strategy that ECAs lived by: demand-driven lenders of last resort. As such, ECAs have not wanted to aggressively and proactively pursue transactions—they have typically waited to be approached by an exporter or lender requesting export credit support. However, there has been a marked and fundamental evolution from raising awareness and letting applicants approach the ECA to the ECA bringing together buyers, borrowers, lenders, exporters, sub-suppliers, etc., and offering financing for a project up front.

EXIM reported in its 2010 Competitiveness Report that three distinct ECA models and strategies had emerged over the first decade of the 21st century:

1. Lenders of last resort: ECAs who maintain their position as government agencies seeking to minimize their participation in export promotion vis-à-vis commercial banks.
2. Quasi-market players: ECAs who aggressively seek commercially oriented approaches to their export credit programs.
3. Industrial policy institutions: ECAs that contribute to a concerted government strategy aimed at expanding exports from (and increasing employment in) "strategic" sectors.

At this point, almost a decade later, EXIM and its customers have observed a steady departure from model 1, less of a focus on model 2, and more ECAs turning towards model 3, which is often also paired with a more proactive strategy. In last year's report, EXIM outlined in detail the proactive steps that ECAs are taking to contribute to their country's economic growth and support for strategic industries. In the year since, this trend has continued.

"... we invite [major U.S. companies] 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

Moreover, the expansion of incentive programs and these forward-leaning strategies go hand-in-hand. For example, SACE reported that, in 2018, "**The more proactive sales approach was boosted by the implementation of the push strategy**, whereby SACE SIMEST guarantees loans to large international buyers to facilitate the awarding of contracts/ purchases of Italian goods and services. To this end, SACE SIMEST organizes business matching events between buyers who benefit from lines of credit and the Italian companies who are interested. Under this project, in 2018 were mobilized resources for €1.1 billion in Brazil, India, Mexico and the UAE."

*“When I joined Kexim, we were one of the pure ECAs, which means we were transaction oriented reallocating lenders as a last resort. **Most of the ECAs, except from US Exim, transformed themselves into a provocative platform [acting as] strategic lenders** supporting their own companies.” – KJ Yang, director of oil & gas downstream, industry, telecoms, and plant finance at Export-Import Bank of Korea⁴⁰*

*“Five or 10 years ago many of our customers used EKN on a case by case basis and **today they use us strategically.**” – Marie Aglert, director of business area for large corporates, EKN⁴¹*

*“**This government, through UK Export Finance, is taking a proactive approach to bringing business to the UK, with wide-reaching benefits for both individual UK businesses and the UK export economy as a whole.**” – Dr. Liam Fox MP, international trade secretary*

*“**Other ECAs are actively seeking exporters to move production to their country to fill the void Ex-Im Bank has left. UK, Canada, and Italy are the most aggressive.**” – Survey Respondent*

*“**SACE’s overseas offices have been acting as the eyes and ears for Italian companies.** They provide Italian companies insights into particular markets whilst at the same time enabling SACE to sell the benefits of SACE-backed facilities to the buyers. **It’s marketing in country, not marketing in Italy**—it’s blindingly obvious as a marketing strategy, but not all ECAs do it. This overseas positioning has been a slow burn, but it’s now paying off. —**SACE will know about local opportunities way before other ECAs.**” – Gabriel Buck, managing director, GKB Ventures⁴²*

*“I think **the important point to note over the last five years or so, when it relates to export financing and national interest is ECAs, DFIs no longer view themselves in any way as the lender of last resort** quite often. I think they fill voids in the private sector, but **they’re going to help their exporters and their companies abroad wherever they can**, so I think the concept of national interest and strategic interests abroad has really taken off...” – Patrick Gang, head of export and agency finance, Bank of America*

40 As reported by TXF

41 As reported by TXF

42 As reported by TXF

Support for Strategic National Industries and Security: Then and Now

Not only have ECAs changed their own strategies over the years, but in doing so they also support their countries’ national industrial strategies. ECAs have always supported the major industries of their domestic market since these industries naturally produce national champions and exporters, but looking back, it is clear to see that this trend has become more pronounced and more widely referenced in recent years.

A handful of countries with major shipbuilding sectors use their ECAs to staunchly support their maritime industries. As EXIM reported last year, Chinese lenders were absent from the group of the top 15 global shipping financiers in 2000, and in 2010, Chinese ECAs held the second and third spots.⁴³ As of 2018, China EXIM had moved to the number one spot. Other major industries that have received similar attention from their ECAs include nuclear, satellites, and aircraft. The new frontier of strategic industries—5G networks—continues to garner interest as the next potential industry of focus for ECAs.

*“We also got a **new mandate recently to finance domestic vessels, ferries, and domestic ship owners...**” – Ivar Slengesol, director of strategy and business development, Export Credit Norway⁴⁴*

*“**China Exim Bank will continue to vigorously support the transformation and upgrading of the shipbuilding industry ...**” (TRANSLATED) – Xiaolian Hu, chairman of China EXIM*

*“**Access to financing is an increasingly critical element in winning satellite business** from new satellite operators that are considering buying U.S.-made satellites. **Export credit financing is a pivotal decision criterion** when choosing between U.S. and international manufacturers.” – Satellite Industry Association (2014)*

*“What you have to remember in the UK is that **all of the UK’s trade is strategic.** So we do a lot of aerospace trade, we do a lot of high-end communications, telecommunications, electronics trade. We do a lot of trade in military equipment as well.” – Rebecca Harding, CEO of Coriolis Technologies and author of *The Weaponization of Trade**

43 According to Lloyd’s List Maritime Intelligence

44 As reported by TXF

Export Financing for Defense Exports

Beyond supporting industries that are strategically important to a country's economy, some ECAs have also supported exports that are important for their country's defense capabilities. The OECD Arrangement does not apply to exports of military equipment, and, moreover, the details of these transactions are often confidential. As such, sufficient data on export credits provided for defense exports is not available to be able to compare the competitiveness of various ECAs' support. Moreover, EXIM is prohibited from supporting defense exports so its competitiveness in this sector is not comparable.

Notwithstanding the above, several ECAs do finance defense exports—for multi-billion dollar contracts—and this helps them further support their government's strategic objectives. In 2018 when UKEF supported the largest transaction in its

100-year history—a £5 billion (\$6.6 billion) transaction for 24 Eurofighter jets and nine Hawk trainers—Dr. Liam Fox, UK International Trade Secretary said, "The UK Government is proud to be a part of this hugely significant export contract, supporting BAE Systems, its nearly 35,000 employees and the 9,000 companies in its supply chain. **This support from UK Export Finance will sustain jobs in one of the UK's key industrial sectors, support economic growth, and strengthen our own defense capabilities as well as those of a key strategic ally.**"

In 2018, the Australian government introduced a Defense Export Strategy that created an approximately \$2.8 billion defense export facility administered by the Australian ECA, Efic. Other major ECAs that have historically been known to provide major support to defense exports include BPIFrance (France), Euler Hermes (Germany), and SACE (Italy).

Role Within Government: Then and Now

It is through broadened mandates and bolstered ECA support for strategic industries that governments have brought ECAs into the fold and embedded them in their whole-of-government approach to economic and foreign policy. ECAs are seen as critical in driving growth through supporting exports.

Today, some ECAs have been placed in a central role within their government, but this was not always the case. Prior to the GFC, some governments were questioning the need for ECAs. For example, the UK Government was reconsidering UKEF's role.

"We have to take a closer look at the ECGD [UKEF]. We asked it to assume a more modest role – I don't think that was the right course, with hindsight." – Lord Mandelson, former secretary of state for Business, Enterprise and Regulatory Reform (2009)⁴⁵

This sentiment is in stark contrast to today, when UKEF is front and center of the UK Export Strategy, a UK government-wide plan to boost exports in the face of a looming Brexit. Another example is France's commitment to reform export finance as one of three pillars in the French government's "roadmap for exports," announced by French Prime Minister Edouard Philippe in February 2018. This trend has continued into 2019. When the Australian government expanded Efic's mandate and increased its capacity, it also clearly outlined a role for Efic in its foreign policy by emphasizing that these changes support the Australian government's foreign policy agenda and efforts in the Indo-Pacific.

Finally, as has been chronicled in previous years' Competitiveness Reports, China's export credit agencies have been integral to financing China's major government-wide initiatives. In 2008, China had already embraced export and trade-related support as a tool for national industrial development and national interest strategies, as outlined in Chinese government initiatives such as Going Out. Today, this approach is still prevalent as demonstrated by Chinese ECA support for the Belt and Road Initiative (BRI), and China's industrial policy, Made in China

45 As reported by the Financial Times

2025. According to Sinosure, as of December 2018, Sinosure alone provided “more than 600 billion U.S. dollars in supporting exports and investments to countries along the BRI.” They are expected to continue providing significant volumes of official export credit and investment support to these efforts.

*“A look back at EDC’s evolution since [2008], a decade ago, demonstrates the profound impact of our changing operating environment. Our customer service model, our domestic, international and digital presence, our product and service offerings, and our overall corporate vision **have all greatly transformed over this time to keep pace with the needs of the Canadian exporter.**”* – Benoit Daignault, former president & CEO, EDC

*“**There has been a lot of innovation** [by foreign ECAs] in the last four years [since EXIM’s been out of the LT business].”* – Lender

*“Indeed, we have noted that **the competitiveness of other ECAs has increased a lot** during the past few years...”* – Christophe Viprey, director general, BPIFrance Assurance Export

*“We want to work with our Pacific island partners to build a Pacific region that is secure strategically, stable economically and sovereign politically. This bill enhances our regional commitment, especially to infrastructure. **It delivers on the major new initiatives announced by the Prime Minister to address the infrastructure needs of the Pacific region by boosting Efic’s ability to support Australian commercial participation in the Pacific’s infrastructure...**”* – Mark Coulton, Australian assistant minister for trade, tourism and investment

*“**These measures [to expand Efic’s mandate] form part of the Liberal-National government’s significant new package of security, economic and people-to-people initiatives that will build strong partnerships in the Pacific.**”* -- Mark Coulton, Australian Assistant Minister for Trade, Tourism and Investment

*“As a national policy-oriented insurance agency, **Sinosure has taken an active role in fulfilling the “Made in China 2025” Initiative, guiding enterprises to use national credit resources, carrying out scientific and technological innovation and technological upgrading, and striving to help “going out” enterprises become more competitive in the global market.**”* – Sinosure

*“EDC is **one of the most important partners the Government of Canada has** to help Canadian companies export internationally”* – François-Philippe Champagne, former minister of international trade, Government of Canada

*“In the years that Ex-Im Bank has been neglected, other nations have wisely used export finance to advance their national interests—particularly in strategically important industrial sectors such as nuclear energy. **The model—first used by China, Japan and South Korea and now widely adopted—integrates export finance into national strategies, maximizes the involvement of national companies in supplying the reactor, and promotes the commercial relationship through a coordinated, whole-of-government approach.**”* – Nuclear Energy Institute (NEI)

“Other ECAs are part of their country’s—not just trade policy—but their foreign policy [whereas] in the U.S., there is no support for the official ECA.” – Lender

*“As well as being an important source of wealth creation and productivity, trade also plays an important part in the UK’s relationships around the world. **It is therefore important that export support is brought together with the UK’s trade policy, foreign policy and trade and development agenda.**”
– UK Export Strategy*

*“[India] Exim Bank is the country’s key export policy institution, and has been instrumental in **playing a vital role furthering the [Government of India’s] geo-economic strategic initiatives.**” – David Rasquimha, managing director, India EXIM*

Summary

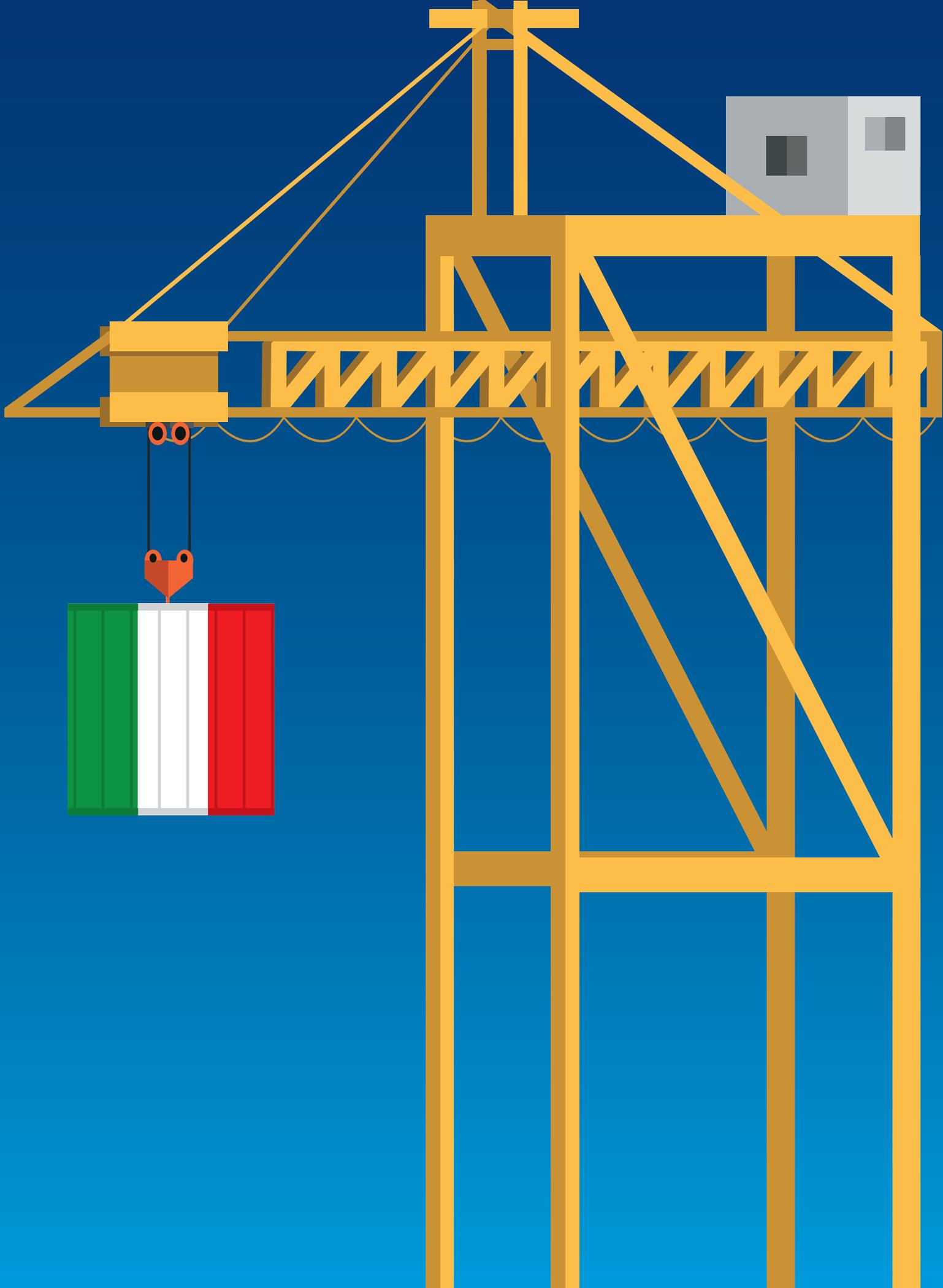
Ultimately, the story of export and trade-related finance in the intervening years since the GFC has been described by EXIM’s counterparts as an “evolution and revolution.” Individual ECAs today have vastly different capabilities than they did just a few years ago. Considered holistically, the export finance market today stands in stark contrast to the narrowly focused lender of last resort ECA model espoused at the turn of the 21st century. ECAs that have received the most positive feedback from exporters and lenders are those that have been constantly changing with the times. High expectations have been set for ECAs’ responsiveness, flexibility, and assertiveness—with flexibility ranking perhaps highest among these traits.

Section 3

Stakeholder Views: In Their Own Words

Given the lack of a quorum on EXIM's Board of Directors in 2018, EXIM put increased emphasis on shedding light on comments from EXIM stakeholders in this year's Competitiveness Report. This section includes findings from EXIM's efforts to understand the impact of the bank's \$10 million transaction limit in 2018 on the competitiveness of the U.S. export community.

In particular, this section includes stakeholder views in their own words. EXIM conducts a congressionally mandated annual survey of, and focus groups with, EXIM customers in an effort to provide the views of the U.S. export community to readers of the Competitiveness Report. EXIM also conducts one-on-one meetings with exporters and lenders to complement this feedback.



Overview

EXIM's Charter requires that the bank survey a representative sample of U.S. exporters and lenders to present in the Competitiveness Report the impact of EXIM policies on the competitiveness of the U.S. export community, and, where possible, how these policies compare to those of foreign ECAs. EXIM conducts a survey and two focus groups on an annual basis to gather this information.

Exporter and Lender Survey

EXIM surveyed more than 100 exporters and lenders and received 27 responses—for a response rate of approximately 25 percent, which was a low response rate compared with past years. Approximately one third of respondents were lenders, while just over half were exporters, including some of the largest banks and U.S. exporters. The remaining respondents were project sponsors and sub-suppliers. This low response rate reflects the dwindling U.S. exporter and lender staff involved with EXIM business given the persistent lack of an EXIM board quorum. The Coalition for Employment through Exports suspended its membership in 2018 because the business rationale for maintaining the membership had diminished. However, the number of survey respondents is not a metric that truly characterizes the feedback EXIM has received regarding competitiveness. The number of focus group attendees is not reflected in this figure, neither is the number of exporters and lenders EXIM met with in 2018 when conducting one-on-one meetings, nor is the number of exporters and lenders that respondents spoke on behalf of. Altogether, the content of the survey results overwhelmingly reflect the sentiment that this wider span of stakeholders has shared with EXIM.

Focus Groups

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, and several one-on-one stakeholder meetings. Industry association representatives explained that their comments regarding EXIM competitiveness reflected the views of their membership involved in medium- and long-term export finance. The purpose of the focus groups and outreach efforts is to supplement

survey findings with more detailed commentary from the U.S. export community. Many of the same points and issues identified in the survey were also emphasized during the in-person meetings.

This year, the feedback across the survey and focus groups has been clear and can be categorized into three main categories:

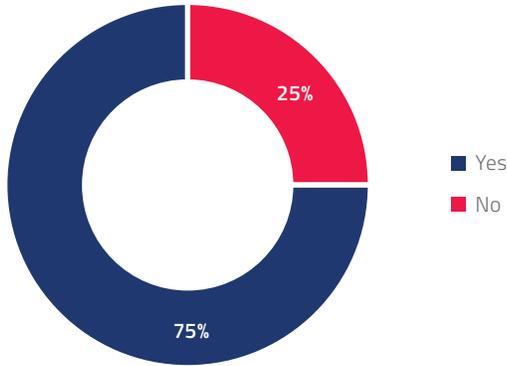
1. There is a need for ECAs, and, as such, the lack of a quorum on EXIM's Board of Directors:
 - a. Was harmful to the U.S. exporting community and
 - b. Caused U.S. exporters and banks to seek foreign ECA support (see Figure 14);
2. Without a quorum on its Board of Directors, EXIM is less competitive than foreign ECAs; and
3. Once EXIM has a restored board quorum, there are significant changes that EXIM needs to make in order to be competitive and be able to best support U.S. exporters.

When asked, "Overall, how would you compare EXIM to other ECAs," two-thirds of respondents said that EXIM is either "far less competitive" or "slightly less competitive" (with more than half of all respondents answering with the former). These responses and overall sentiment are in direct contrast with how stakeholders scored EXIM's overall competitiveness vis-à-vis major providers of export credits in the 2007 to 2009 period (i.e., G7 ECAs), when EXIM received grades of A-/B+, A-/B+, and A for overall competitiveness in each of those years respectively.

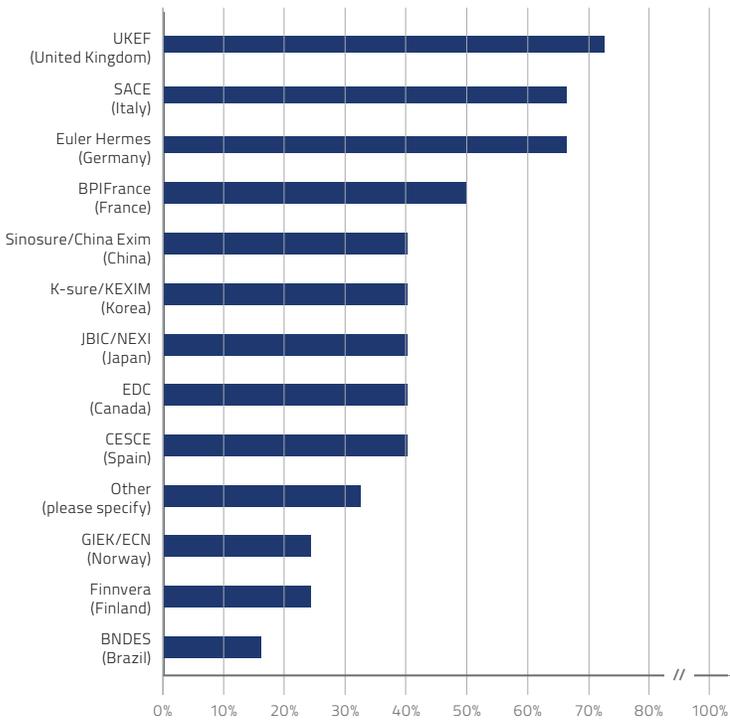
Exporters, lenders, project sponsors, foreign ECAs, and other experts alike consistently and frequently reported the above three points in 2018. While the quotes in the report are taken from specific comments provided in this year's survey and focus groups alone, EXIM has received many comments outside of those two avenues. The points in this section reflect the shared experiences of the MLT export finance community in their own words.

Figure 14: Sampling of Responses to EXIM's 2018 Exporter and Lender Survey⁴⁶

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).

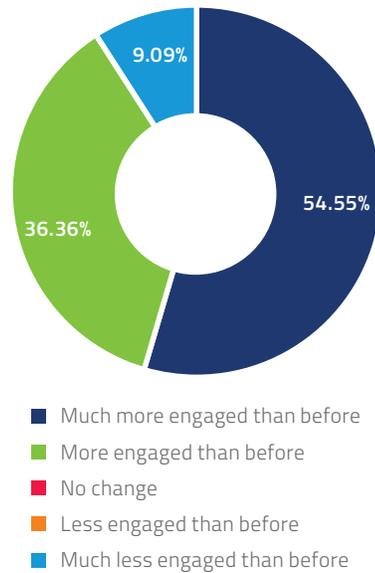


Q11: With which foreign ECAs did your company do business? (Choose all that apply)



Note: Other ECAs specified include India EXIM (India), EXIAR (Russia), SERV (Switzerland), and EGAP (Czech Republic)

Q19: Compared with prior to July 2015 (when EXIM lost its quorum and became generally unable to finance transactions greater than \$10 million in value or with a tenor longer than seven years), how would you describe your relationship with foreign ECAs?



⁴⁶ Figure 14 depicts responses provided to EXIM's Exporter and Lender Survey. Not all respondents answered each question, but for the purposes of maintaining respondents' confidentiality, the number of respondents of each question have been removed.

In Their Own Words: Some of the Survey Respondents' Most Frequently Used Words



In Their Own Words: Stakeholders' Views Submitted to EXIM

”
Lack of a board quorum has made the US unreliable. Foreign customers view the Bank as untrustworthy because of the U.S. political situation.
”

”
As a result of the lack of EXIM, there has been less U.S. sourcing.
”

”
UKEF, Canada, Netherlands, Italy, South Korea are actively pursuing U.S. exporters to move production out of the US with the offer of financing.
”

”
“Had to maintain and grow our sales pipeline with credible sources of export finance backing of bids to win contracts, and then to execute on financing to ship and get paid. Existing ECA relationships were strengthened, and new ones developed.”
”

”
If EXIM comes back as it was in 2014, they're toast.
”

EXIM has a lot of catching up to do.

Without EXIM, the incentive to buy American is lost.

In US-Exim's absence, we have no choice but to focus our attention on non-U.S. ECAs.

Other ECAs are looking to fill the vacuum left by EXIM's lack of activity.

Without the ability to utilize ExIm, we are limited to offering equipment eligible for cover under alternative ECAs.

In order to stay in business we needed to engage with other ECAs.

What we're not doing as a country is having EXIM as a strategy integrated into our approach.

Southeast Asia and Africa are turning to China to finance their projects and abandoning the U.S. suppliers as unreliable for lack of an ECA.

The shift takes place in the supply chain so our clients' demand for export credits can be met.

Section 4

Appendices

Charter Requirements

EXIM's Charter requires that the Competitiveness Report provide Congress with information on the following topics:

- Appendix A: Purpose of EXIM Transactions
- Appendix B: Equal Access for U.S. Insurance
- Appendix C: Tied Aid Credit Program and Fund
- Appendix D: Co-financing
- Appendix E: Environmental Policy
- Appendix F: Services

Further Reading

These appendices feature discussions of topics otherwise required by Congress (though not part of the Competitiveness Report) or that provide readers with additional background on key policies or topics that impact EXIM's competitiveness vis-à-vis foreign ECAs. This section also includes useful references for those wanting to learn more about official export financing:

- Appendix G: U.S.-Flag Shipping Requirements
- Appendix H: Trade Promotion Coordinating Committee
- Appendix I: Point-of-Experience Customer Survey
- Appendix J: List of Export Credit Providers



Purpose of EXIM Transactions

Pursuant to Section 8A(4) of EXIM's Charter, the bank 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." 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 15 below reports one purpose, the primary purpose, per transaction by program in 2018. Although only the primary purpose is reported here, applicants may cite multiple purposes.

In 2018, EXIM's Office of Inspector General (OIG) completed an evaluation of EXIM's additionality policy and procedures. The evaluation found that EXIM generally conducted sufficient due diligence and adequately interpreted the need for additionality when authorizing transactions, and recommended that EXIM bolster additionality documentation.

Figure 15: EXIM Transactions by Purpose, 2018

	Potential Competition		Private-Sector Limitations		Private Sector Unwilling to Take Risks		Total	
	(USD Millions)	Count	(USD Millions)	Count	(USD Millions)	Count	(USD Millions)	Count
Medium-Term Guarantee	\$19.8	3	\$122.2	13	\$73	18	\$215.1	34
Medium-Term Insurance	\$21.6	6	-	0	\$68.5	77	\$90.1	83
Short-Term Insurance	-	0	\$1,732.4	1,256	\$433.4	824	\$2,165.9	2,080
Working Capital	-	0	-	0	\$622.2	158	\$622.2	158
TOTAL	\$41.5	9	\$1,854.7	1,269	\$1,197.3	1,077	\$3,093.5	2,355

Source: EXIM

Equal Access for U.S. Insurance

Section 2(d)(4) of the EXIM Charter requires the bank to report in the annual Competitiveness Report those transactions for which the bank had information that an opportunity to compete was not available to U.S. insurance companies. 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. During 2018, EXIM was not able to authorize transactions of this size. As a result, there were no new applicable transactions. The bank is not aware of any applicable transactions in its portfolio which fail to comply with this section of the EXIM Charter or of any pending financing which, if successfully completed, would violate this section.

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. 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 2018, the total amount of OECD tied aid activity hovered close to 2017 volumes, dropping almost 10 percent from last year's record high of \$12.5 billion, which was the highest volume provided annually since 1995. 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 have still faced 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. No specific allegations of predatory tied aid or requests for matching were submitted to EXIM in 2018.

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.

Tied Aid vs. 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 has not always combined 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 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. As a result, EXIM has seen OECD ECAs using mixed credits in competitive situations, and labeling these financing packages as “blended finance.” With the increasing popularity of blended finance, and the spotlight on it as the solution to the lack of sufficient public funds needed to finance global development needs, it’s possible this could be an area of growth in the coming years.

“Korea Eximbank will extend its all-out efforts for Korean firms to win mega-scale, high value-added projects abroad by providing the blended financing package we have.” – Sung-soo Eun, chairman and president, Export-Import Bank of Korea

Description of the Implementation of the Arrangement

Section 10(g)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. 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, and,

as a result, no changes have been made to the notifications procedures. Regarding consultation procedures, no tied aid projects have been examined by the Consultation Group on Tied Aid since the 2009 challenge. No matching offers were made in 2018.

EXIM Tied Aid Activity

Section 10(g)C of EXIM’s Charter requires a description of EXIM’s use of the Tied Aid Credit Fund. EXIM did not make use of its Tied Aid Credit Fund in 2018. EXIM strictly applies the OECD Arrangement rules on tied aid and is more stringent than most other OECD members in that it is 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, has only authorized two tied aid offers since 2002, and did not receive any applications for tied aid matching support in 2018.

Foreign ECA Tied Aid Activity

Section 10(g)B of EXIM's Charter requires a description of foreign tied aid activity. This reporting has been separated into OECD and non-OECD activity:

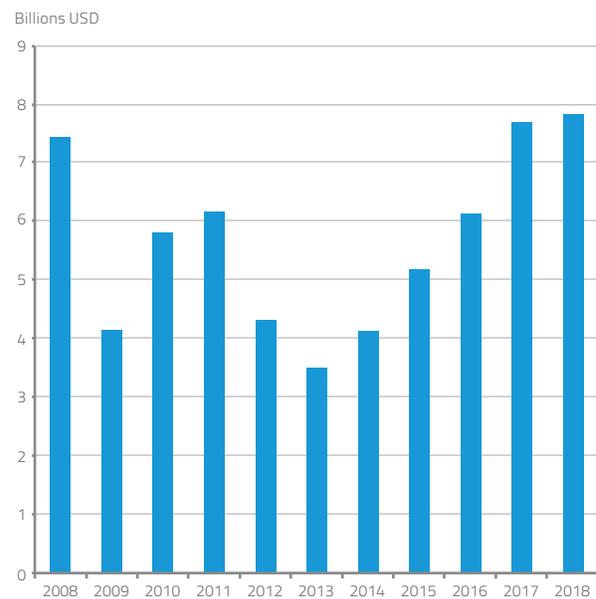
OECD Activity

The tied aid rules of the OECD Arrangement define four types of tied aid, described here below with the related activity levels for 2018, which, when combined, reached a total of about \$11.4 billion:⁴⁷

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 2018, highly concessional tied aid totaled \$1.6 billion, representing a decrease in volume of 33 percent from 2017.
2. Second, *de minimis* tied aid is an offer of tied aid that has a value of less than 2 million SDR.⁴⁸ Given the small ticket size, competitive concerns are minimized. In 2018, *de minimis* tied aid totaled \$2.1 million, representing a decrease in volume of almost 50 percent from 2017.
3. Third, Least Developed Countries (LDCs), as defined by the United Nations, are not a typical market for export credits, and, as such, tied aid to these countries is considered to be less likely to pose competitiveness implications. In 2018, tied aid to LDCs totaled \$1.9 billion, representing a decrease in volume of approximately 20 percent from 2017.
4. All other tied aid activity is the core type of tied aid and is known as "Helsinki-type tied aid." Helsinki-type tied aid has the highest potential for competitiveness concerns and potentially negative implications for a level playing field. Helsinki-type tied aid remained stable at last year's record high, at approximately \$7.8 billion in 2018.⁴⁹

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, the sustained level of Helsinki-type tied aid in 2018, and the overall upward trend since 2013, as shown in Figure 16, is an important trend to monitor.

Figure 16: Total OECD Helsinki-Type Tied Aid Then and Now



Source: OECD

⁴⁷ Figures are as of December 31, 2018, 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.

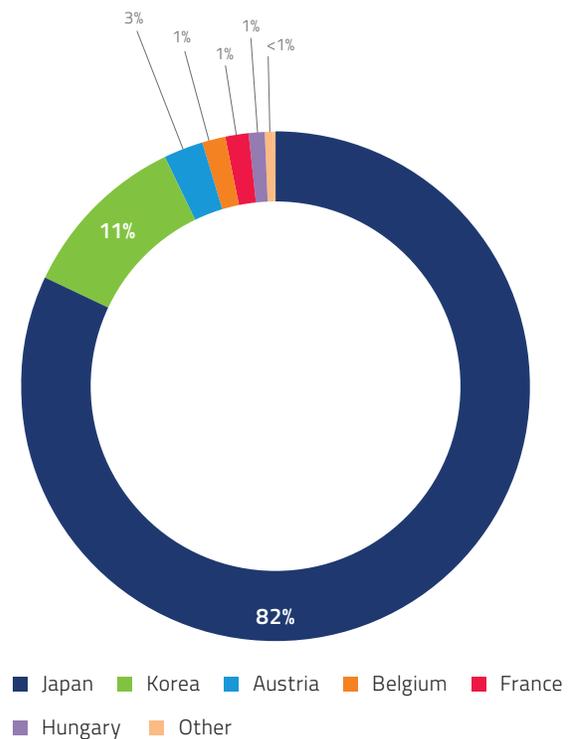
⁴⁸ Tied and untied aid data is reported to the OECD in Special Drawing Rights (SDRs). Based on data from the OECD, in 2018 \$1 was approximately equal to 0.706 SDR.

⁴⁹ Helsinki-type tied aid volumes as reported to the OECD in SDR slightly decreased (by less than 30 million SDR). However, due to the weakening of the U.S. dollar in relation the SDR in 2018, Helsinki-type tied aid volumes in USD appear to have increased slightly from 2018 volumes.

Specific trends from 2018 include:

- Japan has always been the OECD leader in providing tied aid and 2018 was no different. As shown in Figure 17, in 2018, Japanese tied aid offers made up more than 80 percent of Helsinki-type tied aid, and Japan was the only country where tied aid offers for Helsinki-type tied aid increased in volume—all other countries decreased their activity in 2018. Japan’s three largest offers—each for more than \$1 billion—were all for rail projects in the Indo-Pacific.
- 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 Philippines, India, and Indonesia, which each received roughly 20 percent of Helsinki-type tied aid volumes.
- Korea was once again the second-largest provider of Helsinki-type tied aid, offering roughly 11 percent of OECD volumes. Korea’s activity was more evenly distributed across countries in Latin America, Africa, Central Asia, and the Indo-Pacific.
- Major European providers in 2018 included Austria, the largest European provider, as well as France, and Belgium, but these countries offered significantly less tied aid than the Asian ECAs, as has historically been the case. The Europeans decreased their activity, jointly providing less than one tenth of the Helsinki-type tied aid volumes offered by Japan.
- As in 2017, with the exception of Korea, all other 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.

Figure 17: OECD Providers of Helsinki-Type Tied Aid by Volume Share, 2018



Source: OECD

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. However, despite the numerous allegations, there has only been one case presented to EXIM, in 2010, where 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 2018, EXIM did not receive similar information that would lead the bank to consider a matching offer.

In previous iterations of this report, EXIM has highlighted the voluminous Chinese financing that resembles tied aid. In 2018, it became clear that other BRICS countries are also providing this type of financing, and for large volumes, posing further competitive threats to U.S. exporters. In its 2018 annual report, India EXIM reported on its concessional financing programs, and reported

providing concessional financing for “strategically important projects which have been secured by Indian companies abroad,” including a \$1.6 billion for a power project in Bangladesh. While exact terms of the financing are unknown, if comparing this transaction to Helsinki-type tied aid provided by OECD members, just this transaction alone would place India second only to Japan.

In terms of Chinese activity, according to Brookings, there have been some key developments in Chinese concessional financing in 2018. Based on the statement by Chinese President Xi Jinping at the 2018 Forum on China-Africa Cooperation Summit in Beijing, Brookings reports that “The most noticeable change to Beijing’s financing pledges lies in its composition. Judging by the language alone, the overall level of concessionality and preferentiality of the Chinese financing is decreasing.” Brookings also reported that, unlike in previous years’ statements, China has removed the commitment to increase concessionality of its financing. Low concessional aid such as that which would result from these changes has typified trade-distorting aid support since the OECD tied aid rules were first adopted and is now becoming par for the course among non-OECD members.

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. It is still as relevant as ever because, according to data published by the OECD in 2018, over the 2008 to 2016 period, on average, approximately 61 percent of untied aid contracts were awarded to bidders in the provider country. As outlined in earlier Competitiveness Reports, concerns about untied aid being *de facto* tied have plagued industry and ECAs alike. This statistic speaks to the potential validity of those concerns.

Historically, a small subset of OECD countries has provided trade-related untied aid. Those 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. In 2018, untied aid offers decreased again, totaling \$10.6 billion, and continued 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.

Combating Predatory Financing Practices

Section 10(g)D of EXIM’s Charter requires EXIM to report actions taken by the U.S. government to combat predatory financing practices of foreign governments, including additional negotiations among participating governments that are party to the Arrangement. In 2018, the U.S. government, along with the other Participants, again agreed to extend the aforementioned Agreement on Untied ODA Credits Transparency that provides the U.S. government with details on transactions supported by untied Official Development Assistance, due to the potential for competitiveness implications arising from the use of untied aid to promote foreign exports, as expressed in EXIM’s Charter.

Co-financing

Section 8A(7) of EXIM's Charter requires EXIM to describe of the co-financing agreements that EXIM and other major ECAs have, and to include a list of countries with which EXIM has co-financing agreements. This appendix provides a description of these agreements.

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 United States 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 (or 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 18); these agreements allow EXIM to more readily enter into co-financed transactions with those ECAs. EXIM has used all of its bilateral framework agreements, except for those signed more recently (with JBIC, CESCE, and Turk Exim) that remain unused in part due to the lack of a board quorum through 2018. 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, most foreign ECAs use co-financing to manage their country-specific exposure limits.^{50, 51}

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 18: 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 ⁵²
11	Switzerland	SERV
12	Spain	CESCE
13	Australia	Efic
14	Israel	ASHRA
15	Turkey	Turk Exim ⁵³
16	South Korea	Korea Eximbank ⁵⁴

Source: EXIM

50 EXIM will support the lesser of (i) 85 percent of the net contract price, or (ii) 100 percent of the U.S. content.

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

52 EXIM always leads under the bilateral framework agreements with NEXI.

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

54 EXIM's bilateral framework agreement with the Export-Import Bank of Korea is limited to cargo aircraft.

Figure 19: EXIM Co-financed Transactions 2018

Co-financing ECA	EXIM Lead or Follow	Market	Sector	Financed Amount
EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$584,563
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$600,406
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$611,308
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$628,185
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$656,578
EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$671,016
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$678,612
EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$687,022
EDC (Canada)	Lead	Paraguay	Agricultural Aircraft	\$705,256
EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$705,364
EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$709,189
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$738,526
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$738,762
EDC (Canada)	Lead	Paraguay	Agricultural Aircraft	\$747,112
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$748,496
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$750,206
EDC (Canada)	Lead	Costa Rica	Agricultural Aircraft	\$751,111
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$752,663
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$754,651
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$758,067
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$760,058
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$760,089
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$769,047
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$774,890
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$775,788
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$778,086
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$778,231
EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$799,527
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$814,795
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$824,421
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$834,423
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$835,611
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$836,326
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$836,718
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$838,404
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$842,413
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$844,723
EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$847,541
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$848,520
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$849,869
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$853,528
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$853,901
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$856,982
EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$866,790

Co-financing ECA	EXIM Lead or Follow	Market	Sector	Financed Amount
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$871,190
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$874,948
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$879,982
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$894,969
EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$897,866
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$958,012
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$966,247
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$978,385
EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$993,756
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$1,133,062
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$1,147,196
EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$1,205,282
EDC (Canada)	Lead	Argentina	Agricultural Aircraft	\$1,481,022
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$1,673,776
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$1,822,718
EDC (Canada)	Lead	Brazil	Agricultural Aircraft	\$2,676,033
EDC (Canada)	Lead	Paraguay	Small Passenger Aircraft	\$3,122,263
EGAP (Czech Republic)	Lead	Argentina	Agricultural Aircraft	\$825,086
EGAP (Czech Republic)	Lead	Brazil	Agricultural Aircraft	\$835,559
EGAP (Czech Republic)	Lead	Brazil	Agricultural Aircraft	\$842,806
EGAP (Czech Republic)	Lead	Argentina	Agricultural Aircraft	\$846,304
EGAP (Czech Republic)	Lead	Brazil	Agricultural Aircraft	\$854,490
EGAP (Czech Republic)	Lead	Brazil	Agricultural Aircraft	\$855,838
EGAP (Czech Republic)	Lead	Brazil	Agricultural Aircraft	\$899,192
SACE (Italy)	Lead	Mexico	Small Aircraft (Helicopter)	\$10,615,000
SACE (Italy)	Lead	Mexico	Small Aircraft (Helicopter)	\$10,683,000
SACE (Italy)	Lead	Mexico	Small Aircraft (Helicopter)	\$10,769,000
UKEF (United Kingdom)	Follow	Multiple	Aircraft Engine Maintenance	\$10,390,000
UKEF (United Kingdom)	Follow	Multiple	Aircraft Engine Maintenance	\$10,401,000
UKEF (United Kingdom)	Follow	Multiple	Aircraft Engine Maintenance	\$10,411,000
UKEF (United Kingdom)	Follow	Multiple	Aircraft Engine Maintenance	\$10,428,000
TOTAL				\$135,890,756

Source: EXIM

Environmental Policy

Overview

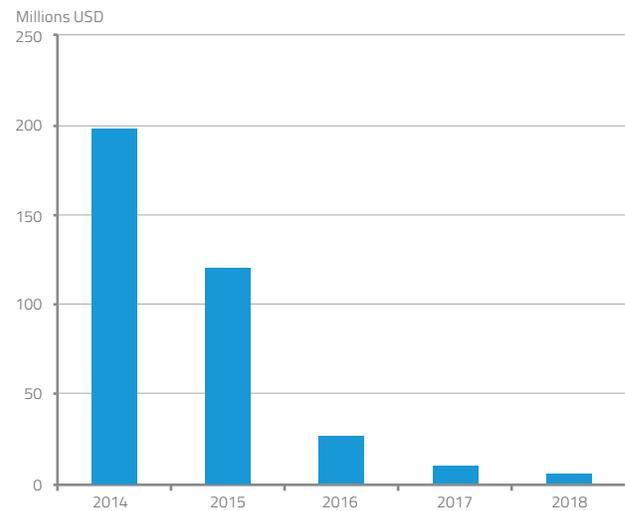
EXIM's environmental policy has two main objectives: (1) environmental stewardship as it relates to implementation of EXIM's Environmental and Social Due Diligence Procedures and Guidelines (ESPG) and (2) supporting environmentally beneficial exports. The second aspect includes promoting renewable-energy exports, as mandated by EXIM's Charter.

EXIM Activity

As was the case in the previous two years, EXIM's ESG were not a factor from a competitiveness standpoint in 2018 given the constraints on EXIM's ability to authorize transactions to which the ESG generally apply.

EXIM's MLT renewable-energy authorizations remained at zero in 2018 for the third year in a row. Although this report focuses on MLT activity in calendar year 2018, EXIM's Charter requirement Sec. 8A(5) refers to reporting total renewable-energy authorizations on a fiscal-year basis. Figure 20 shows total EXIM authorizations in fiscal year 2018, including short-term authorizations, which totaled \$5.32 million, almost a 50 percent decrease from FY2017. EXIM's support for renewable-energy exports has been steeply declining since the last full fiscal year that EXIM had a quorum on its Board of Directors (2014).

Figure 20: EXIM's Total Renewable-Energy Authorizations by Fiscal Year



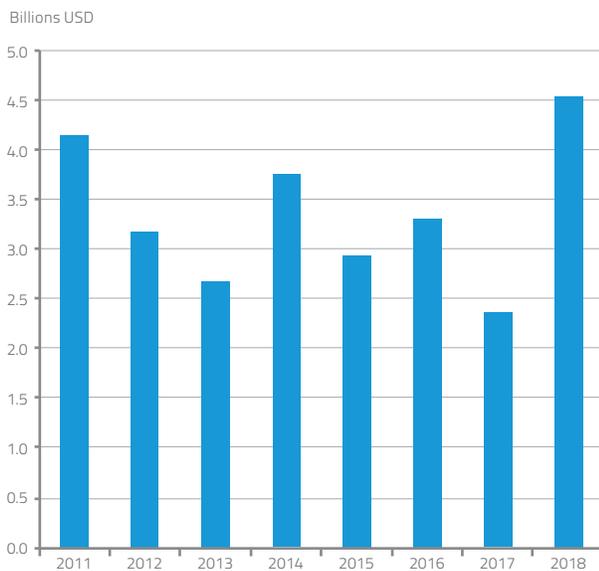
Source: EXIM

While EXIM made no new MLT commitments in support of renewable-energy exports in 2018, it did conduct promotional activities as per Section 2(b)(1)(k) of EXIM's Charter. EXIM participated in a number of high-profile conference speaking roles, attended industry events, and met and established relationships with a number of U.S. exporters in the renewable-energy sector. In addition, staff developed Priority and Managed Account Plans for the major U.S. renewable-energy exporters, and major global renewable-energy project developers, aimed at proactively engaging these entities.

Foreign ECA Activity

EXIM's pronounced and continued decline in support for renewable-energy exports in 2018 was the exact opposite trend of foreign ECA activity during the same year. Following the dip in OECD ECAs' support for renewable-energy projects in 2017, official MLT export credit support in this sector rebounded in 2018 to a record high of \$4.5 billion. This spike was primarily due to a record year from the largest renewable-energy supporter, Denmark. According to EKF (Denmark), 2018 was a record year for EKF's business overall, "attributable primarily to its participation in the financing of a number of large wind farms" since "by far the largest new guarantees were issued within [the] renewable energy [sector]." This surge in activity by Denmark alone amounted to more than \$3.5 billion in official MLT export credits in this sector. Germany's support for renewable energy stayed strong from 2017 to 2018, and when combined with Denmark's support, these two countries provided just over 80 percent of all MLT export credit support in the sector.

Figure 21: OECD ECA MLT Export Credit Support for Renewable-Energy Exports



Source: EXIM, OECD

*"If you're doing a project, a renewable deal in difficult challenging markets, **without ECAs the private capital will not be there to support those projects.**" – Gemma Bae, managing director and head of structured export finance Americas, ING Capital LLC*

Services

According to Section 8A(8) of EXIM’s Charter, EXIM must report on the participation of the bank in providing financing for services exports. EXIM supports U.S. services exports through all of its programs.

Of the \$79 million EXIM authorized in support of services exports in 2018, around 25 percent were for 12 MT transactions. The services sectors represented in these 12 transactions were: engineering and consulting, legal and banking, and medical. Only one of the MT transactions included the sale of a combination of a good and an associated service (see below for an explanation of “associated service”). The remaining eleven transactions were stand-alone services.

The majority of EXIM support for services in 2018 was for short-term insurance and working capital guarantees. EXIM authorized \$59 million for 76 short-term transactions for services exports. The primary services sectors represented in these transactions were: engineering and consulting, IT and telecommunications, and transportation. These contracts represent both associated and stand-alone services.

Associated services are services that are included with the sale of a good(s). During years when EXIM was fully operational, approximately 70 percent of EXIM financing for services exports supported associated services. This trend resulted from the high volume of projects that EXIM authorized, as projects typically include both goods and services. 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.

Figure 22: Services Exports Authorized by EXIM, by Type and Term

Type and Term	Authorized Amount
Associated Services	\$16,881,212
Medium-Term	\$18,712
Insurance	\$18,712
Short-Term	\$16,862,500
Insurance	\$6,602,500
Working Capital	\$10,260,000
Stand-Alone Services	\$62,433,575
Medium-Term	\$20,125,503
Guarantee	\$16,140,376
Insurance	\$3,985,127
Short-Term	\$42,308,072
Insurance	\$33,397,200
Working Capital	\$8,910,872
TOTAL	\$79,314,787

Source: EXIM

Figure 23: EXIM Services Exports Authorized Amount, by Term and Sector

Term and Sector	Authorized Amount
Medium-Term	\$20,144,215
Engineering and Consulting	\$9,872,222
Legal and Banking	\$9,249,770
Medical	\$1,022,222
Short-Term	\$16,862,500
Admin and Support Services	\$25,000
Construction	\$9,750,000
Engineering and Consulting	\$12,452,872
IT and Telecommunications	\$16,010,000
Legal and Banking	\$47,500
Oil & Gas & Mining	\$5,400,000
Other Services	\$2,912,500
Transportation	\$12,572,700
TOTAL	\$79,314,787

Source: EXIM

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 domestic goods, eligibility of associated services exports follows. Based on available information, the top three services exports supported by OECD ECAs in 2018 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 2018, South Korea, Denmark, and Sweden were the top three finance providers for contracts that included a services component. There were 11 OECD countries that financed over \$1 billion in contracts that included a services component.

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 should be transported on U.S.-flag vessels. 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 medical, transportation security, or environmental initiatives). 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. Explicit responses to questions posed by EXIM appear to indicate that EXIM is the only ECA that requires financed cargo to be shipped on national flag carriers. However, U.S. exporters noted during a stakeholder meeting that foreign-flag pricing is generally lower than that offered by U.S. carriers, and foreign project sponsors often look to their national flag carriers—not international carriers—to ship their capital equipment.

The \$10 million per transaction cap on EXIM activity in place since December 2015 has diminished the relevance of PR-17 to EXIM transactions. EXIM has not authorized any transactions subject to PR-17 in more than two years, but shipments under authorizations supporting large projects often occur over several years. For this reason, shipments related to earlier EXIM authorizations generated approximately \$2.4 million in revenue for U.S. carriers during 2018. This revenue, however, is less than 7 percent of the \$35.4 million earned by U.S.-flag carriers in 2014 when EXIM was fully operational and able to authorize long-term transactions.

As a way to better gauge the competitive environment in which the U.S. flag carriers and the maritime industry operates, EXIM staff was invited to a meeting of the U.S. Exporters Competitive Maritime Council (ECMC) to present the Competitiveness Report and request feedback on EXIM competitiveness from its members. In attendance were roughly 25 members that represent the bulk of U.S. exporters involved in infrastructure projects that require U.S. flag carriers.

Of note, the U.S. industry representatives reported that the absence of EXIM from the market had impacted U.S. industry competitiveness not only in the loss of revenue reported above, but also in the following ways:

1. EXIM absence from the infrastructure 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 Chinese and Korean companies are gaining greater experience in a wider range of foreign ports while U.S. capabilities are declining.
2. Merchant mariner availability and the U.S. international fleet capacity are declining.
3. To the extent that cargoes generated by EXIM-financed activities are heavy and/or out-of-gauge, those ships capable of transporting such items may have been particularly disadvantaged by EXIM's reduced activity.

Trade Promotion Coordinating Committee

Background

Section 8A(a)(2) of EXIM’s 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, as well as to develop a comprehensive plan for implementing strategic priorities.⁵⁵ The TPCC serves as the coordinating body designed to ensure that U.S. trade agencies act together to establish priorities, coordinate new programs and initiatives, improve service delivery and customer service, and leverage resources and eliminate duplication.

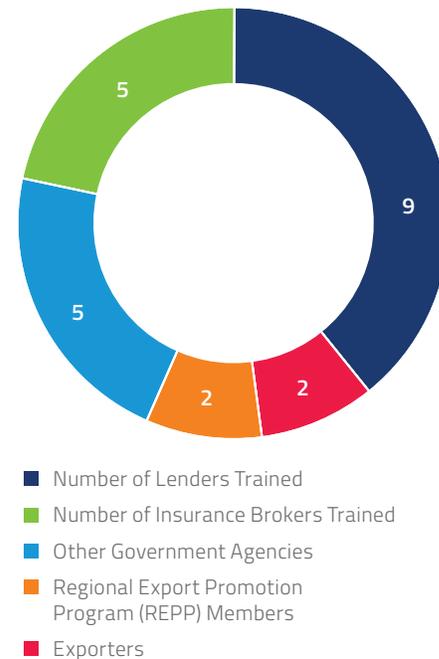
A top priority of the TPCC is providing actionable information, training, and counseling to U.S. businesses, especially small and medium-sized businesses, to begin exporting or expanding international sales. EXIM is primarily involved with the TPCC’s priorities related to the following areas:

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. Providing exporters and potential foreign buyers tailored assistance and information to help them connect.

⁵⁵ Members of the TPCC are: U.S. Departments of Commerce (Chair), State, Treasury, Agriculture, Defense, Energy, Homeland Security, Transportation, Interior, and Labor; Overseas Private Investment Corporation (OPIC), Export-Import Bank of the United States (EXIM), U.S. Agency for International Development (USAID), Small Business Administration (SBA), U.S. Trade and Development Agency (USTDA), U.S. Trade Representative, Environmental Protection Agency, Council of Economic Advisors, National Security Council, National Economic Council, and Office of Management and Budget (OMB).

Activities and Accomplishments for 2018

Figure 24: Quarterly Training at EXIM Headquarters



Source: EXIM

In 2018, as part of its outreach effort, EXIM held quarterly training program at headquarters in Washington, D.C. In addition, EXIM staff in the Office of Small Business working out of the regional offices and headquarters hosted or attended some 600 outreach events. EXIM’s outreach to small business benefited from an active and expanding Regional Export Promotion Program (REPP), a synergistic 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 fora, such as the annual meeting of

State International Development Organizations (SIDO), the 2018 National Small Business Exporter (NASBITE) Summit Meeting and International Conference, and the America's Small Business Development Centers Conference. Partnerships are typically with state, county, city governments; local nonprofit economic development entities funded through universities or colleges; small business development centers, and world trade centers. Five new participants joined the REPP in 2018, bringing total membership to 54.

EXIM's customers, especially small businesses, benefit from the Working Capital Guarantee Program (WCGP), and five new banks located in Florida, New Hampshire, Texas, Utah, and Virginia were approved as delegated authority lenders. These additional eligible lenders will help expand the reach of this program, which is a valuable source of liquidity for small business exporters. Nine additional lenders located in Alabama, California, Delaware, Florida, Illinois, Nebraska, New York, 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.

In 2018, EXIM established a Customer Care Unit (CCU), which provides a heightened level of support to new small business policyholders. The CCU calls customers and coaches them on their policies' benefits and requirements. The CCU is also working with EXIM's IT experts to get better data analytics on under-utilized policies to guide future insurance policy changes or enhancements. Additionally, an effort is underway to update EXIM's systems with the latest available Fintech/VDR technology, so that it will be easier and more efficient for all customers to interact with EXIM when seeking financing support.

EXIM's annual two-day conference in Washington, D.C., provided a forum for additional outreach. Robust participation by TPCC members contributed to the event's success. Several TPCC members staffed exhibitor booths, and these agencies' representatives were readily available throughout the conference to inform domestic suppliers, foreign buyers, financial institutions, and other attendees about programs and opportunities for U.S. export sales.⁵⁶

Conversely, EXIM also participated in events sponsored by TPCC partners. In June 2018, the Department of State and USTDA paved the way for a strong USG presence at the World Gas Conference, which held its triennial meeting in Washington, D.C., to mark the culmination of the U.S. industry's presidency of the International Gas Union. EXIM along with various other USG agencies staffed a booth sponsored by the Department of State, and EXIM served on the USTDA's Gas Infrastructure Financing Panel, which coincided with the conference. EXIM presented at two subsequent USTDA-sponsored events related to the natural gas industry: a Central America Natural Gas Workshop and a reverse trade mission focusing on opportunities in the Honduran natural-gas sector. Similarly, EXIM presented at two USTDA reverse trade missions related to coal-fired power emissions control technologies for Romania, Turkey and South Africa and India, Indonesia, and Vietnam. Additionally, EXIM briefed Asia-based Foreign Service officers as part of their orientation training so that they could widely share information about EXIM's programs with foreign officials and potential private sector buyers.

EXIM also expanded its participation in the Department of Commerce's (DOC) International Buyer Program (IBP), a joint government-industry effort that brings thousands of international buyers to the United States for business-to-business matchmaking with U.S. firms exhibiting at major industry trade shows. The DOC mobilizes its worldwide workforce to pre-screen and facilitate foreign buyers' participation in these events, and the IBP results in approximately a billion dollars in new business for U.S. companies annually. EXIM used IBP venues to brief exhibitors and foreign buyers on EXIM programs and provide some direct business counseling along with the DOC.

EXIM participated in the IBP Recreation Vehicle Industry Association event in Louisville, Kentucky, to assist this \$20 billion industry which employs 300,000 people to expand sales in foreign markets. EXIM also participated in the World of Concrete Show and the Waste Expo both in Las Vegas, Nevada, and the International Woodworking Fair and the International Production and Processing Expo both in Atlanta, Georgia. The International Production

⁵⁶ SBA, USTDA, and the Departments of Agriculture, Commerce, and Transportation United States Maritime Administration (MARAD) all staffed booths.

and Processing Expo is the world's largest annual poultry, meat, and feed industry event in the world, and a wide range of international interests attend this event to network and become informed about the latest technology. EXIM also advised domestic business and international buyers about export credit at the Offshore Technology Conference (OTC) in Houston, Texas. The OTC is one of the largest energy-focused events annually hosting over 70,000 attendees from more than 100 countries. It provides a venue for energy professionals to exchange ideas and advance scientific and technical knowledge regarding offshore resources and environmental matters. OTC attendees were able to pre-register to meet with an EXIM rep through the registration and marketing platform hosted by DOC, and EXIM had the opportunity to present its products to a Sub-Saharan Africa delegation. Additionally, EXIM took advantage of the access to so many domestic and international interests to cold call on potential new customers. Finally, EXIM also participated in the National Plastics Expo and the PowerGen Show, both in Orlando, Florida, and the National Restaurant Association Show in Chicago, Illinois.

A subset of the IBP is "IBP Select," designed to support industry events that are generally smaller because the industry is in a specialty niche, but may be ready to make a strategic shift and focus on greater international attendance. For IBP Select-designated events, the DOC focuses its foreign recruitment efforts on five promising overseas markets. The Fire Department Instructors Conference in Indianapolis, Indiana, was chosen by the DOC as an IBP Select event, and EXIM participated so that U.S. companies and foreign buyers could learn more about EXIM's financing options and enhance the possibility that sales for U.S. companies would materialize as a result.

EXIM was also extensively involved in efforts, as mandated in its Charter, to work in consultation with the TPCC to promote the expansion of exports to sub-Saharan Africa. EXIM participated in (USAID-led) Power Africa Working Group meetings and a Power Africa Speed Networking event held on the heels of the World Gas Conference. The Speed Networking event gave private sector partners the opportunity to have one-on-one discussions with

USG representatives involved in the Power Africa initiative. EXIM also continued its involvement with DOC commercial outreach, including the DOC's "Doing Business in Africa" campaign to connect more U.S. companies, especially small and medium-sized businesses, to foreign buyers. Importantly, EXIM also shared its experience and insights through its participation in NSC-led Interagency Policy Committee meetings on various sub-Saharan Africa countries and continued its active involvement with the Africa Growth and Opportunity Act (AGOA) activities, by engaging in the USG's planning for the 2018 AGOA forum, which EXIM attended.

With regard to EXIM's activity in the sub-Saharan region, during 2018, EXIM authorized 73 transactions under the working capital, insurance, and loan guarantee programs. Authorizations exceeded \$32 million and included a medium-term guarantee of more than \$4.5 million that enabled the government of Cameroon to purchase design and engineering services and an environmental feasibility study for a large potable water project from U.S. suppliers. In December 2018, a new presidential initiative, Prosper Africa, was launched to promote free, fair, and reciprocal economic relationships between the United States and Africa and to double U.S. trade and investment to the continent. EXIM is playing an active role in developing an effective strategy to accomplish these important objectives and to expand the presence of U.S. small, medium-sized, and large exporters in the region.

Point-of-Experience Customer Survey

EXIM’s point-of-experience survey for users of the Bank’s Express multibuyer and single-buyer insurance policies is designed to discover whether customers achieved what they set out to do in specific transactions.⁵⁷ The survey is intended to help spot and correct problems during transactions before they become issues that lead to customer dissatisfaction. The five-question survey automatically generates via e-mail directly to exporters when they accept quotes for Express or single-buyer export credit insurance policies via EXIM Online.⁵⁸ The survey gathers “real-time” feedback from customers as they progress through EXIM’s application processes.

From January 1, 2018, through December 31, 2018, 51 customers responded to EXIM’s point-of-experience survey—a 25 percent decrease in the number of respondents, compared to the previous year. As shown in Figure 25, average scores regarding the extent to which (1) explanation of the application process met expectations, and (2) instructions were clear and understandable increased 0.6 percent and 2.9 percent, respectively. The extent to which EXIM’s processing time met expectations, and customers were able to accomplish what they set out to do, decreased 0.9 percent and 4.7 percent, respectively.

EXIM’s overall Customer Effect Score increased 4.6 percent, from 2.38 in 2017, to 2.49 in 2018. Despite the increase, 92 percent of respondents indicated the level of effort put forth matched or was less than expected. Only 8 percent of customers responded that they put forth more effort than expected.

Figure 25: Select Results from the Point of Experience Survey

Survey Question or Measurement	Average Score	
	2017	2018
Overall Customer Effort Score. ^{59, 60}	2.38	2.49
Explanations of the application process matched my actual experience.	4.68	4.71
Written instructions provided within the policy application were clear and understandable.	4.54	4.67
EXIM’s processing time met with expectations.	4.63	4.59
I accomplished what I set out to do in conducting this transaction.	98.53%	94.12%

Responses 1-4 based on a 5-point scale.

Source: EXIM

57 Express and ESS export credit insurance policies are higher-volume product lines for EXIM and are generally held by U.S. small businesses to insure against nonpayment by a foreign buyer and/or to extend payment terms to those buyers.

58 EXIM Online is EXIM’s online customer portal, where customers and their insurance brokers log in and can arrange and apply for new insurance, report shipments, and pay premiums, among other functions.

59 The Customer Effort Score is an industry-standard customer-satisfaction measurement that asks customers, on a scale of 1-5, how much effort do you personally have to put forth to complete transactions with EXIM? Customers rate their level of effort on a five-point scale from very low effort (1) to very high effort (5). A score of 3 indicates “about as much effort as expected.”

60 Low Customer Effort Scores indicate low perceived effort by customers. Lower scores suggest greater ease of doing business.

List of Export Credit Providers⁶¹

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 Inversión 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 (formerly ONDD)	Credendo Group
11	Belgium	The Brussels Guarantee Fund (Fonds Bruxellois de Garantie)	FBG
12	Bosnia and Herzegovina	Export Credit Agency of Bosnia and Herzegovina	IGA
13	Botswana	Export Credit Insurance & Guarantee Company	BECI
14	Brazil	Agência Brasileira Gestora de Fundos Garantidores e Garantias S.A.	ABGF
15	Brazil	Brazilian Development Bank	BNDES
16	Bulgaria	Bulgarian Export Insurance Agency	BAEZ
17	Cameroon	Fonds d'Aide et de Garantie des Credits aux Petites et Moyennes Entreprises	FOGAPME
18	Canada	Export Development Canada	EDC
19	Chile	La Corporación de Fomento de la Producción	CORFO
20	China	China EXIM	China EXIM
21	China	China Export and Credit Insurance Corporation	Sinosure
22	China - Hong Kong	Hong Kong Export Credit Corporation	HKEC/ECIC
23	Colombia	Banco de Comercio Exterior de Colombia	Bancoldex
24	Colombia	Fondo Nacional de Garantias S.A.	FNG
25	Croatia	Hrvatska banka za obnovu i razvitak	HBOR
26	Czech Republic	Česká exportní banka, A.S.	CEB
27	Czech Republic	Export Guarantee and Insurance Corporation	EGAP
28	Dominican Republic	National Bank for Exports	BANDEX
29	Denmark	Eksport Kredit Fonden	EKF
30	Ecuador	Corporación Financiera Nacional Fondo de Promoción de Exportaciones	CFN
31	Egypt	Export Credit Guarantee Company of Egypt	ECGE
32	Estonia	Kredex Krediidikindlustus	KredEx
33	Ethiopia	Development Bank of Ethiopia, Export Credit Guarantee and Special Fund Administration Bureau	DBE
34	Finland	Finnvera	Finnvera
35	Finland	Finnish Export Credit Ltd.	FEC

⁶¹ These are the programs that, to the best of EXIM's knowledge, existed in 2018 and that EXIM has been made aware of as 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	BPIFrance Financement S.A.	BPIFrance
37	France	Société de Financement Local	SFIL
38	Germany	Export Credit Guarantee Scheme of the Federal Republic of Germany (Hermes Cover)	Euler Hermes
39	Germany	KfW IPEX Bank	KfW/IPEX
40	Ghana	Ghana Export-Import Bank	Ghana EXIM
41	Greece	Export Credit Insurance Organisation	ECIO
42	Hungary	Hungarian Export Credit Insurance Ltd	MEHIB
43	Hungary	Hungarian Export-Import Bank Plc.	EXIM Hungary
44	India	Export Credit Guarantee Corporation of India	ECGC
45	India	Export-Import Bank of India	I-Eximbank
46	Indonesia	Indonesian Eximbank	LPEI
47	Indonesia	PT. Asuransi Ekspor Indonesia	PT ASEI
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	Korea, Republic of	Export-Import Bank of Korea (Korea Eximbank)	KEXIM
59	Korea, Republic of	Korea Trade Insurance Corporation	K-sure
60	Latvia	SIA Latvijas Garantiju aģentūra (Latvian Guarantee Agency Ltd)	LGA ALTUM
61	Lithuania	Investiciju ir Verslo Garantijos	INVEGA
62	Luxembourg	Office du Ducroire	ODL
63	Macedonia	Macedonian Bank for Development Promotion AD Skopje	MBDP
64	Malaysia	Export-Import Bank of Malaysia Berhad	MEXIM
65	Mexico	Banco Nacional de Comercio Exterior, SNC	Bancomext
66	Morocco	Caisse Centrale de Garantie	CCG
67	Namibia	Development Bank of Namibia	DBN
68	Netherlands	Atradius Dutch State Business	Atradius
69	New Zealand	New Zealand Export Credit Office	NZECO
70	Nigeria	Nigerian Export-Import Bank	NEXIM
71	Norway	Export Credit Norway	ECN
72	Norway	Garanti-instituttet for eksportkreditt, GIEK	GIEK
73	Oman	Export Credit Guarantee Agency of Oman	ECGA Oman
74	Pakistan	Export Import Bank of Pakistan	Pakistan EXIM
75	Philippines	Philippine Export-Import Credit Agency	PhilEXIM
76	Poland	Korporacja Ubezpieczeń Kredytów Eksportowych	KUKE
77	Poland	Bank Gospodarstwa Krajowego	BGK
78	Portugal	Companhia de Seguro de Créditos	COSEC

No.	Country	Name	Acronym
79	Qatar	TASDEER (managed by the Qatar Development Bank)	TASDEER/QDB
80	Romania	Eximbank of Romania	EXIM R
81	Russia	Export Insurance Agency of Russia	EXIAR
82	Russia	Eximbank of Russia	Russia EXIM
83	Russia	Bank for Development and Foreign Economic Affairs (Vnesheconombank)	VEB
84	Saudi Arabia	Saudi Export Program	SEP
85	Senegal	Société Nationale d'Assurances du Crédit et du Cautionnement	SONAC
86	Serbia	Serbian Export Credit and Insurance Agency	AOFI
87	Singapore	Entireprise Singapore	ES
88	Slovakia	Export-Import Bank of the Slovak Republic	EXIMBANKA SR
89	Slovenia	Slovenska izvozna in razvojna banka	SID
90	South Africa	Export-Import Credit Insurance Corporation of South Africa	ECIC
91	Spain	Compañía Española de Seguros de Crédito a la Exportación	CESCE
92	Spain	Fondo para la Internacionalización de la Empresa	FIEM
93	Sri Lanka	Sri Lanka Export Credit Insurance Corporation	SLEVIC
94	Sudan	National Agency for Insurance and Finance of Export	NAIFE
95	Swaziland	Central Bank of Swaziland: Export Credit Guarantee Scheme	ECG
96	Sweden	Exportkreditnämnden	EKN
97	Sweden	Svensk Exportkredit	SEK
98	Switzerland	Swiss Export Risk Insurance	SERV
99	Taiwan	Export-Import Bank of the Republic of China	TEBC
100	Tanzania	Export Credit Guarantee Scheme	ECGS
101	Thailand	Export-Import Bank of Thailand	Thai EXIMBANK
102	Trinidad and Tobago	Export-Import Bank of Trinidad & Tobago	Eximbank TT
103	Tunisia	Compagnie Tunisienne pour l'Assurance du Commerce Exterieur	COTUNACE
104	Turkey	Export Credit Bank of Turkey	Türk Exim
105	U.A.E	Export Credit Insurance Company of the Emirates	ECIE
106	Ukraine	Joint Stock Company The State Export-Import Bank of Ukraine (JSC Ukreximbank)	Ukreximbank
107	United Kingdom	Export Credits Guarantee Department a/k/a UK Export Finance	UKEF
108	United States	The Export Import Bank of the United States	US EXIM
109	Uruguay	Banco de Seguros del Estado	BSE
110	Uzbekistan	Uzbekinvest National Export-Import Insurance Company	Uzbekinvest
111	Vietnam	The Vietnam Development Bank	VDB
112	Zambia	Development Bank of Zambia	DBZ
113	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, by 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 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 \$10 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 \$10 million.

Non-OECD Export Credit Agencies: ECAs that are not Participants to the OECD Arrangement on 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 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 nonpayment.

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

ASU	Aircraft Sector Understanding	OIG	EXIM Office of Inspector General
BRI	Belt and Road Initiative (formerly One Belt, One Road)	OPIC	Overseas Private Investment Corporation
BRICS	Brazil, Russia, India, China, and South Africa	PR-17	Public Resolution 17
DOC	Department of Commerce	REPP	Regional Export Promotion Program
DFI	Development Finance Institution	RFP	Request for Proposal
ECA	Export Credit Agency	SDR	Special Drawing Rights
EDFI	Association of European Development Finance Institutions	SME	Small and Medium-Sized Enterprises
EPC	Engineering, Procurement, and Construction	ST	Short-Term
ESPG	Environmental and Social Due Diligence Procedures and Guidelines	TPCC	Trade Promotion Coordinating Committee
G7	Group of Seven Countries (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States)	WCGP	Working Capital Guarantee Program
GDP	Gross Domestic Product		
GFC	Global Financial Crisis		
LDCs	Least Developed Countries		
LT	Long-Term		
MLT	Medium- and Long-Term		
MT	Medium-Term		
OECD	Organisation for Economic Co-operation and Development		





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