

Chapter 7: Conclusion

In 2003, Ex-Im Bank's competitiveness against its G-7 ECA competitors was deemed to be an "A", meaning that the Bank was "generally competitive" with the other ECAs (i.e., consistently offering terms equal to the average G-7 ECA). **Figure 32** shows that the core financing elements such as premia, interest rate, cover policy and operational efficiency Ex-Im Bank performed well against the other G-7 ECAs. Ex-Im Bank also performed well in the major program structures of aircraft, project finance and foreign currency guarantees, but it fared less well when its co-financing program was evaluated.

Figure 32: Grading of Ex-Im Bank's Overall Competitiveness

Structural Elements	Grade
Core Business Policies and Practices	A
A. Cover Policy & Risk Taking	A
B. Interest Rates	A
C. Risk Premia	A
D. Operational Efficiency	A-/B+
Major Program Structures	A-/B+
A. Large Aircraft	A
B. Project Finance	A+
C. Co-financing	B-/C+
D. Foreign Currency Guarantee	A
OVERALL COMPETITIVENESS GRADE	A

Figure 33 illustrates the "direction" of potential competitive impact on an individual transaction that might be impacted by broader U.S. economic philosophy and public policy considerations. The specific constraints imparted by any one of these considerations on Ex-Im Bank action are infrequently encountered. Moreover, each constraint would have a highly diverse magnitude of impact on an individual transaction's competitiveness. Hence, any attempt to quantifiably scale (or grade) these impacts creates more misinformation than clarification. Accordingly, although these constraints can and do have an impact on the competitiveness of individual transactions, these influences (alone or in some combination) do not affect the grades shown above (i.e., there is no addition or subtraction to the program, policy, or overall grades).

The basic free market-driven U.S. economic philosophy provides many benefits to U.S. exporters and Ex-Im Bank's competitiveness. However, as detailed in previous chapters, there are three areas of official export credit activity where the difference between U.S. economic philosophy and that of one or more of the major ECA competitors can, in infrequent cases, generate a noticeable gap between Ex-Im Bank and its competitors. These areas of activity involve tied aid, untied aid, and market windows.

Similarly, a variety of U.S. public policies intended to ensure that U.S. workers are the direct and main beneficiaries of U.S. international financing activity are increasingly differentiating Ex-Im Bank operational principles and processes from those applicable in our major ECA competitors. These principles and procedures include economic impact, foreign content, local costs and shipping.

As indicated in earlier chapters, available information and export community views both suggest that – where one or more of these infrequently arising elements is a significant factor in an individual case – the typical “tilt” imparted to the financial competitiveness of the transaction is negative (in 6 of the 7 areas).

For example, a U.S. exporter with a project finance transaction would typically expect to be in an excellent competitive position against other G-7 competitors, with respect to financing. However, if the transaction were affected by the Bank’s economic impact policy, the U.S. exporter’s competitive position could be lessened, as the other G-7 ECAs do not have a similar policy. In summary, but for Ex-Im Bank’s local cost policy, if a specific transaction encounters any of the financial aspects affected by U.S. economic philosophy and public policy, there would likely be a negative impact on the competitiveness of that transaction.

Figure 33: Direction of Case-Specific Competitive Impact of U.S. Economic Philosophy or Public Policy on Certain Official Export Credit Activity, Procedures or Practices

Areas Affected by U.S. Economic Philosophy or Public Policy	Case-Specific Impact on Competitiveness
Economic Philosophy A. Tied Aid B. Untied Aid C. Market Windows	Negative Negative Negative
Public Policies A. Economic Impact B. Foreign Content C. Local Costs D. Shipping/PR 17	Negative Negative Positive Negative