

Chapter 5: Economic Philosophy and Competitiveness

Section C: U.S. Philosophy and Ex-Im Bank Competitiveness

The U.S. government philosophy towards official export financing activity – ECAs should compete on a level playing field, should not compete with the private sector and should operate at a minimum cost to the taxpayer – provides a solid framework in which Ex-Im Bank provides export credit support to U.S. exporters. Over the years, the United States has worked diligently with other OECD governments to enshrine these principles in the Arrangement, leading to a playing field that in most cases is very level. Unfortunately, not every G-7 government subscribes to this philosophy in the provision of export credits. Tied aid, untied aid and market window programs all embody a very different governmental approach to supporting national exporters. These differing philosophical approaches have the potential to negatively impact Ex-Im Bank's competitiveness in individual cases.

Due to a combination of negotiating success (e.g., Helsinki), political events (e.g., KfW restructuring) and the financial consequences of the 2001-2003 global recession, these philosophically different programs impacted a very narrow spectrum of U.S. exporters in 2003. In fact, without specific allegations from the exporting community, it is not clear what if any impact the untied aid and market window programs of other governments have on U.S. export volumes. The export community firmly believes that – in the rare instances when U.S. exporters face competition from such programs – tied aid, untied aid and market window programs have a decidedly negative impact on U.S. exports.

Figure 25: Grading of Ex-Im Bank's Competitiveness When Confronted with Differing Government Financing Philosophies

Program	Ex-Im Bank has program? (Y/N)	Potential Impact on Competitiveness
Tied Aid	Y	Negative (infrequently encountered)
Untied Aid	N*	Unclear to negative (rarely encountered)
Market Windows	N**	Unclear to negative (very rarely encountered)
Overall Assessment		Negative (on a very narrow spectrum of cases)

* Ex-Im Bank could use TACPF to match effectively tied "untied" aid.

** However, in its 2002 Charter reauthorization, Ex-Im Bank was granted authority to match market window transactions.

