

Chapter 1: Introduction

Background

Pursuant to its Charter (the Export Import Bank Act of 1945, as amended), Ex-Im Bank is mandated to provide U.S. exporters with financing terms and conditions that are competitive with those made available by foreign governments to their exporters. The purpose of this report, which is required by Section 2(b)(1)(A) of the Charter, is to measure the effectiveness of Ex-Im Bank's programs and policies in meeting the competitiveness mandate during calendar year 2003.

Scope

This report compares Ex-Im Bank's competitiveness with that of the other G-7 ECAs, as these ECAs historically have accounted for roughly 80% of medium- and long-term official export finance. In addition, the Competitiveness Report focuses on medium- and long-term export credits, which comprise the bulk of official export finance and therefore are subject to the most intense international competition. Moreover, only a few official ECAs continue to provide short-term financing. Quantitative comparisons and information on each of G-7 ECAs can be found in Chapter 2.

Methodology

This year's Competitiveness Report continues the "report card" methodology introduced in the 2002 Report, in which Ex-Im Bank provides a grade for the competitiveness of its support. The intention of this approach is to individually evaluate the essential components of an Ex-Im Bank financial program and to compare these results with the capabilities of our foreign ECA competitors.

Having evaluated the grading methodology and found it to be successful overall, the Bank adjusted it in two ways. First, the Bank revised its survey of exporters and lenders to enable the U.S. exporting community to grade the Bank's competitiveness (see below for information on the survey). Second, because the economic philosophy and public policy issues do not affect every case – and because not all of them can be compared on an "apples-to-apples" basis with other ECA policies – the Report notes the direction of the potential competitiveness impact on an individual transaction when one or more of these factors is present.

Consistent with previous years' Competitiveness Reports, the Bank's analysis and competitiveness grades draw upon: 1) objective policy, programmatic and procedural information about other ECAs obtained from a variety of sources; and 2) subjective information provided by the survey of the U.S. exporting community and focus groups with exporters and lenders.

Survey Methodology

The Bank is required by its Charter to conduct an annual survey of exporters and lenders to determine their experience in competition supported by official export finance. Ex-Im Bank revised its survey in 2003 to mirror the grading methodology adopted in the 2002 Competitiveness Report. This provided survey recipients the opportunity to provide an assessment of Ex-Im Bank's competitiveness in different financing programs by selecting defined grades from A+ (fully competitive) to F (does not provide program). In future surveys however, the absence of an Ex-Im Bank program will not be segregated as a separate category but instead, will be included in the "NA" category. In addition, survey recipients were asked to note whether certain public policies had a positive or negative impact on the Bank's competitiveness. After each section, recipients had space to provide qualitative comments on each of their responses.

Ex-Im Bank conducted a careful process to evaluate the quality of each survey response. Three surveys were discarded altogether because the respondent did not have any experience with Ex-Im Bank in 2003. Some specific responses were discarded if a respondent graded a program with which it clearly had no experience; the large aircraft and project finance questions were the areas where this most frequently occurred. Additional responses were discarded if they were based on something other than a comparison of Ex-Im Bank's medium- and long-term programs with those of other ECAs. Examples include comparisons with the private sector or comments about the Bank's short-term insurance program. Appendix C provides more information on the survey.

Focus Groups

In addition to the annual survey of the export community, this year's report also incorporates the results from four focus groups held with commercial lenders and exporters. The focus groups provided a venue for members of the export community to supplement their survey responses with anecdotal experience, as well as more comprehensive information on market trends. The focus group discussions, combined with the qualitative comments from the survey, provided invaluable context about the overall environment in which Ex-Im Bank operates and how the Bank compares with its G-7 counterparts. The results of these discussions are included in the "exporter and lender survey results" section of each chapter.

Report

The Report proceeds as follows: Chapter 2 describes the international framework within which official ECAs operated in 2003 and the philosophies and missions of competing G-7 ECAs. Chapter 3 consists of separate sections evaluating Ex-Im Bank's competitiveness in the core financing elements of official export credit support, with a new section regarding operational efficiency. Chapter 4 provides a comparative assessment of how well the financing elements are packaged into major programs (i.e., aircraft, project finance, co-financing and the foreign currency guarantee). Chapter 5 addresses U.S. economic philosophy and competitiveness regarding tied and untied aid and market windows. Finally, Chapter 6 evaluates stakeholder considerations embodied in public policies and the long-term competitive implications of these

policies on Ex-Im Bank activity. The main body of the Report concludes in Chapter 7 with an overall competitiveness report card grading Ex-Im Bank against its G-7 ECA counterparts. The appendices follow the body of the Report, and include a list of the purposes for Ex-Im Bank support, a summary of developments within the OECD, Ex-Im Bank efforts to support renewable energy, and other materials intended to provide greater detail and insights.

