



EXIM 2019 Competitiveness Report Exporter and Lender Survey Methodology

INTRODUCTION

For each annual Competitiveness Report, the Export-Import Bank of the United States (EXIM) conducts a Congressionally mandated survey of exporters and lenders (exporter and lender survey, or the survey) that have experience working with EXIM in order to assess the competitiveness of EXIM's financing relative to that provided by foreign export credit agencies (ECAs).¹ This survey provides a valuable opportunity for EXIM's customers to identify which EXIM policies and programs are the most effective and to highlight those that impede EXIM's ability to provide financing competitive with that provided by its peers and best support U.S. exports. The survey results, combined with commentary from the annual exporter and lender focus groups EXIM conducts, and insights gained from stakeholders in bilateral meetings and open export finance events are included throughout this report, and are also included in a dedicated chapter (see Section 2: Stakeholder Views).

For almost the first half of 2019, EXIM again lacked a board quorum. Since most transactions with a value over \$10 million require board approval, the ability of the Bank to support exporters and lenders involved in long-term transactions was severely inhibited. As such, for the third consecutive year, EXIM expanded the scope of the survey to include not only exporters and lenders who benefited from support in 2019, but also those who worked with EXIM in previous years.

SURVEY METHODOLOGY

The exporter and lender survey assesses the competitiveness of EXIM's financing relative to other official providers of export finance, including OECD and non-OECD ECAs. This survey is broken into sections by program areas and policies. Survey participants are only asked to complete sections with which they have experience.

¹ 12 U.S.C § 635g-1(a)(1)



The lack of a board quorum prevented EXIM from being able to utilize its full range of financial products, and different lenders and exporters use EXIM's various products for very different reasons (i.e. small exporters may struggle to find banks willing to take cross border risk while large exporters may face foreign financing competition). Therefore, an assessment of exporters' limited experience in 2019 alone would yield an incomplete picture of EXIM's competitive standing. As such, the survey was sent to exporters, lenders, suppliers, brokers and project sponsors that made use of the full range of EXIM's financial products over the last several years. For the 2019 report, EXIM sent the exporter and lender survey to more than 100 customers, of which 44 responded.

The low response rate can be attributed to the Bank's lack of a presence in the global market for long-term export credits. Because EXIM failed to provide financing which exporters, lenders, and project sponsors rely upon, many of those companies have reallocated positions and personnel who had previously served as their organization's main points of contact with EXIM. The exporter and lender survey heavily relies on a multiple choice format to directly compare EXIM to other ECAs at a programmatic level. In general, this methodology is useful in that it parameters responses in a way that allows for direct quantifiable comparison. Rather, the Competitiveness Report covering 2019 relied more heavily on open-ended responses and feedback provided through other avenues (e.g., one-on-one meetings or interviews) to gather a holistic view of the competitive landscape that EXIM's stakeholders faced in 2019.

Respondents were asked to indicate their role as an exporter, lender, project sponsor, or sub-supplier. Two respondents selected more than one role and indicated that they were also sub-suppliers.² Just over half of respondents were exporters, while 40 percent were lenders. The remainder were project sponsors and sub-suppliers. Respondents were asked to indicate which EXIM programs or financial products they utilized (see Figure A). Since the various products are used for different reasons by different types of institutions, it is important to understand an exporter, lender, or sponsor's responses and experience from the perspective of the specific product(s) that they are utilizing. This data was intended to provide insight into EXIM's competitiveness at institutional, programmatic and product level. However, limited survey responses

² Project Sponsors have been added due to their control over sourcing and procurement decisions—potentially influenced by financing terms or availability.

make it difficult to draw conclusions about any one of these – other - aspects and instead reveal stakeholder primary concern, i.e., EXIM's limited functionality due to a lack of a Board quorum, as responses indicated.

Figure A: EXIM Programs Utilized

Program
Long-Term Guarantee
Long Term Loan
Medium-Term Guarantee
Medium-Term Insurance
Medium-Term Loan
Short-Term Insurance
Working Capital

Figure B presents possible survey response choices in specific areas that experience ECA competition. This change in rating methodology was done in response to an EXIM Advisory Committee recommendation that EXIM not use the grading scale, but instead a comparative scale in its analysis. As such, the current scale is intended to 1) shift to a more comparative system as opposed to an absolute ranking system, and 2) reduce possible skewing of the results by allowing for equal comparative upside and downside.

Figure B: Survey Response Choices

Survey Choices
"EXIM is much more competitive"
"EXIM is slightly more competitive "
"EXIM is equally competitive"
"EXIM is slightly less competitive"
"EXIM is far less competitive"

Respondents were asked if they had worked on a transaction with another ECA besides EXIM (i.e. another ECA financed the export of the company's product or

guaranteed a loan from their bank). Those that indicated that they had worked on a transaction with another ECA were then asked to indicate how competitive EXIM was compared to the other ECA(s) on a scale ranging from "Far less competitive" to "Much more competitive".

Apart from general competitiveness across all programs, the survey asked respondents to compare EXIM's competitiveness relative to other ECAs within specialized areas including Aircraft, Structured, and Project Finance. However, Aircraft, Structured and Project Finance transactions were deeply impacted by the lack of board quorum – no transactions were approved in the first several months of 2019.

COMPETITIVE ISSUES AND DECISION FACTORS

The exporter and lender survey asked respondents if they had encountered head-to-head competition between EXIM and a foreign ECA (i.e. a prospective buyer chose between a supplier supported by EXIM and a supplier supported by a foreign ECA). If the respondent indicated that they had encountered such competition, they were then asked if the buyer ultimately choose to procure from the supplier supported by the foreign ECA rather than the U.S. exporter backed by EXIM.

The survey then asked respondents to indicate the main factors that affected buyers' procurement decisions. Apart from the standard list of responses, it should be noted that a substantial number of respondents wrote-in (within the "Other Responses" category) that the lack of an EXIM Board quorum remained a factor in 2019, similar to in previous years.

Figure C: Primary Factor Affecting Buyers' Decisions

Factor
Non-ECA Related Factors
Interest Rate
Exposure Fee
Tenor
Speed of Doing Business
Shipping Policy
Environmental Policy
Foreign Content Policy

Economic Impact Policy
Other Responses

The survey also asked respondents to opine on what factors influenced their decision to not seek support from EXIM. The sample question from the survey is in Figure D below.

Figure D:

116. Which of the following were reasons for not applying to, or withdrawing an application from, EXIM? (choose all that apply)

- Co-financing: Lack of availability and/or flexibility
- Interest rates: Inability to access to EXIM direct loan
- Cover policy: Off cover in requested market and/or specific
- Local costs: Requirement to demonstrate foreign competition tenor and/or local financing not available from commercial market (medium term only)
- Economic impact: Product(s) subject to specific trade measure
- Economic impact: Subject to detailed economic analysis
- MARAD PR-17: Requirement to ship on U.S. flagged vessel
- MARAD PR-17: Determination not made
- MARAD PR-17: Processing time for determination
- Environmental policies: Requirement to publish ex-ante overly transparent for competitive reasons
- Environmental policies: Environmental and social review process
- Market Windows: Request to match financing not granted/Did not meet EXIM requirement(s) to match
- Risk-taking: Requirement for risk mitigation and related costs
- Exposure fees: Better pricing from other ECA
- Exposure fees: Lack of predictability (legal, financial, etc.)
- Foreign currency guarantee: Lack of availability
- Foreign currency guarantee: EXIM crystallization requirement
- Services: Stand-alone services not covered
- Services: Associated services not covered
- Foreign content: Did not meet EXIM content requirements
- Interest rates: Lender guarantee interest rate cost prohibitive
- Tied aid: Transaction did not meet, or not likely to meet, EXIM tied aid policy
- Tied aid: Processing time
- Untied financing: Absence of untied financing program
- Other (please specify)

EXPORT SUPPLY CHAINS

Like previous years, the 2019 survey asked survey participants to indicate the number of suppliers they used to fill their export contracts. As indicated in Figure E, the survey uses 25-unit increments as possible responses to assess the relative size of an exporter's supply chain.

Figure E: Number of Suppliers Used by Exporters to Execute Export Contracts in CY 2019

Number of Suppliers
None
1 - 25
26 - 50
51 - 75
76 - 100
100+
Don't Know

Exporter respondents with suppliers were also asked to estimate the number of employees their suppliers employed. This data is collected in an attempt to gain insight into the effects of a respondent exporter when they fill an export contract.

Figure F: Number of Supplier employees

Number of Suppliers
Under 500
500 to 999
1000 to 9999
10,000 or More
Don't Know
Not Applicable



NON-STANDARD FINANCING

The 2019 exporter and lender survey inquired about respondents' experiences with financing outside of the OECD rules, such as market window programs and untied financing. Respondents were asked to indicate if they had encountered foreign competition benefiting from such financing schemes.

DENIED AND DETERRED TRANSACTIONS

EXIM uses this section of the survey to better understand if policy or program considerations could prevent transactions from reaching approval for EXIM financing. Deterred transactions are cases that are not submitted to EXIM because of a perceived or real policy constraint. Deterred transactions can also include applications submitted but later withdrawn. Denied transactions are cases that were formally denied by EXIM. The survey also asked those who were deterred or withdrew applications what were the factors influencing their decisions.

U.S. AND FOREIGN GOVERNMENT FACTORS

The exporter and lender survey asks respondents to indicate if U.S. Government actions or foreign government actions had an effect on their business involving EXIM. Those exporters and lenders who responded that actions of either the U.S. or foreign governments had an impact on their business with EXIM were then asked to evaluate the effect of these actions either positively or negatively.