

# China Research Methodology

## INTRODUCTION

The Export-Import Bank of the United States (EXIM) conducts extensive research and analysis in an effort to quantify and distill the activity of other export credit agencies (ECAs) in the Competitiveness Report. The United States, as a Participant to the OECD Arrangement on Officially Supported Export Credits, regularly reports its activity to other members in accordance with the transparency requirements of the Arrangement. Similarly, the other Participants report their activity to EXIM, and in combination with bilateral inquiries, this data forms the basis of the figures found in the Competitiveness Report. Historically, this data captured the scope and scale of the global official export credit activity that EXIM is Congressionally-mandated to report.

In line with an EXIM Advisory Committee recommendation, EXIM expanded its data-related outreach in order to account for the emergence and rapid growth of ECAs that are not Participants to the Arrangement (e.g. Brazil, Russia, India, China, and South Africa) in 2012. Most of these ECAs elect to provide data bilaterally to EXIM, or when they are not able, guide EXIM staff to relevant portions of their respective annual reports for inclusion in the Competitiveness Report – with one major exception: the Export-Import Bank of China (CEXIM). CEXIM is one of two official export credit agencies in China.<sup>1</sup> EXIM's efforts, therefore, center on trying to quantify the size of CEXIM's medium- and long-term (MLT) official export credit programs, as well as CEXIM's concessional loan programs. CEXIM's MLT portfolio consists of a Buyers' Credit program, that EXIM's public-facing database captures, and a Sellers' Credit program, that is quantified via the CEXIM Annual Report.

## DATA COLLECTION

In previous years, the CEXIM Annual Report was not published until after EXIM's Congressional deadline for the Competitiveness Report of June 30<sup>th</sup>; however, the 2016 edition of the CEXIM Annual Report was printed in time for inclusion. This change led EXIM to utilize the following two methods for calculating the size of CEXIM's MLT official export credit in 2016:

1. The Annual Report – although published prior to EXIM's Congressional deadline, the CEXIM Annual Report presents figures on a portfolio exposure basis. In contrast, EXIM data in the Competitiveness Report is typically presented in terms of new commitments. Therefore, analyzing the information presented in the Annual Report can only provide a “floor,” or the minimum amount of new commitments made by CEXIM in a given year.

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<sup>1</sup> The other Chinese ECA is Sinosure. Sinosure provides both insurance and guarantees in support of Chinese exporters. EXIM receives data on Sinosure's activities through international forums like the ECA Group of Seven.

2. A search of public-facing sources: EXIM uses a variety of databases, including, but not limited to, those listed below, in order to create a database of potential Chinese projects:

- 1) EMIS
- 2) Google Alerts
- 3) Bloomberg
- 4) EBSCO
- 5) TXF: Trade and Export Finance

In particular, EXIM searches for articles, press releases, and other media that detail **specific** transactions and contain information on **associated terms and conditions**.

## DATA ANALYSIS

The Annual Report: As mentioned above, the data in the 2016 CEXIM Annual Report are given on a portfolio exposure basis, or an aggregate total of all outstanding loans and guarantees. To determine the approximate “floor” of new commitments, EXIM utilized outstanding balance information in both the 2015 and 2016 CEXIM Annual Reports. Relevant line items utilized by EXIM in this process include Export Sellers’ Credit and Export Buyers’ Credit for the export of both goods and services. To estimate new commitments from these line items, EXIM first created an estimate, based on industry information, for the amount of CEXIM’s 2015 portfolio that may have been retired during 2016. Next, EXIM calculated the difference between the portfolio exposures presented in the 2016 Annual Report and the 2015 portfolio that remained after “retirement.” This calculation yielded the minimum amount of new business that could have occurred.

Public-Facing Search: EXIM generates a list of potential projects for inclusion in the Competitiveness Report based on the databases outlined previously. This database is intended to capture Chinese MLT Buyers’ Credit activity. The search EXIM conducts pulls articles from English-language newspapers, press releases, academic papers, and government reports from across the globe. While the emphasis of this project is the CEXIM, the search also yields results related to the China Development Bank – a separate Chinese agency that does sometimes provide support that resembles an export credit as outlined in the Competitiveness Report. These results are logged, but are not the focus of EXIM’s research. After collecting the full universe of potential projects of interest, EXIM:

1. Conducts further research of each project to find additional information and to ensure the accuracy of project-specific terms and conditions;

2. Uses terms and conditions described in press articles, as well as other key language, to classify projects as export credits, concessional loans, or other support;<sup>2</sup> and
3. Verifies that financial commitments have been made in collaboration with a variety of academic groups, including Johns Hopkins' China-Africa Research Initiative and the Inter-American Dialogue, as well as the State Department and the Foreign Commercial Service through U.S. embassies abroad.

During this process, EXIM provides the opportunity for CEXIM to comment on EXIM's findings, either on a holistic basis or for individual projects. Although CEXIM has accepted the invitation to be briefed on the EXIM's methodology, to date, CEXIM has elected not to provide detailed comments on EXIM's estimates nor on project specific information collected in the process.

### 2016 Findings:

As reported in Chapter 5 of the Competitiveness Report, EXIM's research led to the following estimates of Chinese activity:

- **MLT Export Credit:** Approximately \$12 billion, including \$7 billion in Buyers' Credit and \$5 billion in Sellers' Credit. An analysis of CEXIM's Annual Report suggested a new Buyers' Credit commitment "floor" of \$4 billion, while EXIM's public-facing research suggested a figure closer to \$10 billion. EXIM elected to use the midpoint of these estimates. Sellers' Credit figures were generated from the CEXIM Annual Report.
- **Investment Support:** Approximately \$9 billion – generated from the CEXIM Annual Report.
- **Concessional Loans:** Approximately \$16.5 billion – generated using EXIM's public-facing database and associated research.
- **Untied and Market Window Support:** Approximately \$4 billion – generated based on the untied and market window activity of the Japanese and Korean ECAs and EXIM's experience encountering this type of support in the marketplace.

Per the request of the EXIM 2015 Advisory Committee and to encourage others experts in the field, researchers, and business people to further expand or clarify any relevant research, a complete list of projects running from 2014-2016 is available on the EXIM website. Any interested party that wishes to provide feedback or recommendations on the process and findings can make further inquiries to [chinaresearch@exim.gov](mailto:chinaresearch@exim.gov).

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<sup>2</sup> Loans are classified based on characteristics like tenor and interest rate, with those that resemble export credits as governed by the OECD Arrangement being considered export credits. These transactions typically see CEXIM financing 85% of the project, asking for a 15% down payment from the borrower, and allowing tenors of up to approximately 15 years. Concessional loans typically feature "soft" terms, which include an interest rate of approximately 2%, a tenor of 20 years, and a grace period of 5 years.