

# China Research Methodology

## INTRODUCTION

The Export-Import Bank of the United States (EXIM or the Bank) 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, reports its activity as do other Participants in accordance with the OECD Arrangement's range of monitoring and reporting requirements. In combination with bilateral inquiries (which aim to ensure the comparability of the data as well as capture non-Arrangement activity of foreign ECAs), 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 from 2012, 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. those from Brazil, Russia, India, China, and South Africa).<sup>1</sup> Most of these ECAs elect to provide data bilaterally to EXIM for use in the Competitiveness Report, or when they are not able, guide EXIM staff to relevant portions of their respective annual reports from which estimates of activity can be made – with one major exception: the Export-Import Bank of China (CEXIM). CEXIM is one of two official export credit agencies in China.<sup>2</sup> As a result and in order to meet its Congressional mandate, EXIM undertakes efforts to estimate the size of CEXIM's medium- and long-term (MLT) official export credit programs, as well as CEXIM's two preferential loan programs.

## DATA COLLECTION

The Competitiveness Report is due to Congress by June 30<sup>th</sup> each year. Unfortunately, CEXIM's 2017 Annual Report was not published in time for EXIM to include relevant data in this year's report. As a result, EXIM did not use the same methodology as last year (when CEXIM published its annual report in May) to calculate the size of CEXIM's Buyer's Credit program in 2017. The Bank was only able to use information derived from public sources, as opposed to a combination of public-facing sources and the CEXIM annual report.

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<sup>1</sup> Brazil is a Participant to the OECD Arrangement's Aircraft Sector Understanding.

<sup>2</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.

EXIM uses the below web search tools and websites, among others, in order to create a database of potential CEXIM 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

Public-Facing Search: EXIM generates a list of potential projects for inclusion in the Competitiveness Report based on the web tools outlined in the previous section. This database is intended to capture CEXIM's MLT Buyer's 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 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 a complete, but potentially not exhaustive, list of potential projects of interest, EXIM:

1. Conducts further research of each project to find more information and to ensure, to the extent possible, the accuracy of project-specific terms and conditions;
2. Uses terms and conditions described in press articles, the presence or absence of key language, and EXIM judgement based on historical experience and data collected through various international forums, to classify projects as export credits, preferential loans, or other support;<sup>3</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. In 2017, EXIM received comments from Embassies representing 70 countries.

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<sup>3</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. Preferential loans, consisting of the Preferential Export Buyer's Credit and Government Concessional Loan, feature flexible, "soft" terms. For example, interest rates of approximately 2%, tenors of 20 years, and grace periods of 5 years. Additionally, EXIM must exercise its own judgement to distinguish between export credit and other Chinese activity, basing that judgement on historical experience and cross-referencing with data collected through international forums of which EXIM is a member.

During this process, EXIM asks CEXIM to comment on the collected data, either on a holistic basis or for individual projects. CEXIM has, to date, elected not to provide detailed comments on EXIM's estimates nor on project specific information. EXIM has briefed the Chinese ECA on its methodology.

The Annual Report: The 2017 CEXIM Annual Report was not published in time for inclusion in this year's Competitiveness Report.<sup>4</sup> However, EXIM did use figures from previous annual reports to generate an estimate for Seller's Credit activity.

## **2017 COMPETITIVENESS REPORT FINDINGS FOR CHINESE ACTIVITY**

As reported in Chapter 4 of the Competitiveness Report, EXIM's research led to the following estimates of CEXIM activity:

- **MLT Export Credit**: Approximately \$12.5 billion, including \$10 billion in Buyer's Credit and \$2.5 billion in Seller's Credit.
- **Investment Support**: Approximately \$7.6 billion, under the assumption that CEXIM investment activity mimicked trends in Sinosure's investment activity.
- **Concessional Loans**: Approximately \$22 billion – generated using EXIM's public-facing database and associated research.

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 for 2014-2017 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>4</sup> In 2016, CEXIM published its Annual Report in May. EXIM estimated a "new commitment" floor using this information based on change in exposure. More information is available in last year's Competitiveness Report:  
[https://www.exim.gov/sites/default/files/reports/competitiveness\\_reports/2016/China%20Research%20Methodology%20-%202016.pdf](https://www.exim.gov/sites/default/files/reports/competitiveness_reports/2016/China%20Research%20Methodology%20-%202016.pdf).