EXIM 2018 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 (OECD Arrangement or the Arrangement), participates in reciprocal reporting of its activity with other Participants in accordance with the OECD Arrangement's transparency requirements. Data in the Competitiveness Report is collected through bilateral inquiries and open-source research (which also covers the non-Arrangement activity of foreign ECAs). Collected data is cross-referenced with data collected through the OECD, Annual Reports, and the Berne Union. 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). 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: China. China employs multiple entities across a government-wide approach to operate its export credit and trade-related programs. Of these entities, two are regarded as the official export credit agencies of China: The Export-Import Bank of China (CEXIM) and the China Export and Credit Insurance Corporation (Sinosure). As a result and in order to meet its Congressional mandate, EXIM undertakes efforts to estimate the size of China's medium- and long-term (MLT) official export credit and other trade-related programs using a variety of data collection methods described below.

DATA COLLECTION

The true scope scale and details of China's official export credit and trade-related activity is unknown—therefore, each year EXIM utilizes multiple sources and techniques to estimate China's activity. The Competitiveness Report is due to Congress by June 30th each year. Unfortunately, even official sources (which rarely convey sufficient detail on export credit authorizations) are often not available in time for EXIM to include relevant data in the Report (this was the case for CEXIM's Annual Report for the past two years). As a result, EXIM employed a variety of techniques to estimate the size of Chinese official export credit activity. 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 primarily intended to capture CEXIM's MLT export credit activity and concessional loan activity. Combined with the export credit and investment activity of Sinosure, this database allows EXIM to estimate China's official export credit and trade-related activity. The search EXIM conducts pulls articles from English-language newspapers, press releases, academic papers, and government reports from across the globe. In addition to CEXIM and Sinosure, EXIM also collects information on transactions provided by other entities (which are not recognized as official ECAs). However, this information on Chinese export-related support from other entities are not included in the reported volume of official Chinese export credit activity. However, as some transactions from entities such as China

Development Bank have characteristics which are indistinguishable from an export credit, EXIM also monitors activity from such Chinese entities and reports it broadly but does not include it in its official export credit volumes. After collecting the available public information on potential projects of interest, EXIM:

- To the extent possible, 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;
- Uses terms and conditions described in press articles, the presence or absence of key language, and EXIM's judgement based on historical experience and data collected through various international forums, to classify projects as export credits, preferential loans, or other support; and
- EXIM attempts to confirm the validity and financial terms and conditions of the Chinese financing offers and includes information on the database that intra-governmental and external sources have reviewed. Specific sources consulted include 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.

EXIM has previously asked 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 research methodology.

CEXIM Annual Report: In previous years, EXIM consulted CEXIM's annual report to supplement EXIM research with other available information. However, similar to 2017, the 2018 CEXIM Annual Report was not published in time for inclusion in the Competitiveness Report for CY 2018.

As a final methodological note, because Sinosure is known to cover a substantial portion of CEXIM's non-concessional activity, in order to avoid double-counting China's activity, EXIM discounted the total sum of CEXIM export credit activity to account for the likely overlap between the specific transactions that EXIM found and the known volume of Sinosure export credit insurance.

2018 FINDINGS

EXIM's research led to the following estimates of China's official financing in 2018:

- MLT Export Credits:
    - Export credit insurance from Sinosure: $24.4 billion.
    - "Standard" non-concessional export credits provided by CEXIM: Approximately $12 billion; of this total, approximately $6 billion was assumed to receive cover from Sinosure and was therefore discounted. The total standard export credit was therefore estimated at approximately $6.3 billion.
    - Preferential Export Buyer's Credit program provided by CEXIM: estimated $6 billion.
- MLT Seller's Credits: estimated $2.5 billion.
- Investment Support:
    - Investment insurance from Sinosure: $18.2 billion.
    - Estimated investment activity provided by CEXIM: $3.7 billion.
    - Estimated untied activity provided by CEXIM: $3.9 billion.
- Concessional Loans:
    - Excluding the Preferential Export Buyer's Credit, CEXIM was found to have provided at least $1.7 billion – generated using EXIM's public-facing database and associated research.

Estimated total Chinese official MLT activity in CY 2018:

Export Credits: $39.1 billion.
Investment: $22.0 billion.
Untied: $ 3.9 billion.

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 list of projects is available on EXIM's website. Any interested party that wishes to provide feedback or recommendations on the process and findings can make further inquiries to chinaresearch@exim.gov.