The Geopolitics of Industrial Policy: Evidence from Export Credits*

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Abstract

We examine the role of geopolitical competition in officially supported export credits, one of the most widely used tools of industrial policy. We construct several new datasets and provide the following evidence that geopolitical factors in export credit markets play an important role for understanding global financial and trade flows: (i) export credits account for over 60% of developing countries' external debt and often over half of their imports; (ii) geopolitical alignment is a strong predictor of export credit allocation, both unconditionally and in response to country risk shocks; (iii) quasi-random rotation into the UN Security Council, which temporarily increases countries' geopolitical importance, leads to an inflow of export credits from permanent members; (iv) in recent years, China has provided more export credits than all OECD countries combined; and (v) the importance of geopolitical factors in export credits among OECD economies has increased over time and is now comparable to that of geopolitical competitors, particularly China. Taken together, our findings highlight how countries actively pursue their industrial policy in line with geopolitical goals.

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1. INTRODUCTION

Industrial policy is typically analyzed through an economic lens, and its effectiveness is judged by whether it contributes to growth or innovation. Even when industrial policy is interpreted as a means of global competition, the focus is often on economic factors, as illustrated by the United States' and European Union's recent attempts to respond to China's extensive state support (European Court of Auditors, 2020; Office of the United States Trade Representative, 2025). This framing, however, abstracts from the fact that geopolitical and strategic objectives are the dominant motivations behind modern industrial policy (Evenett et al., 2025).

In this paper, we study the role of geopolitical factors in shaping industrial policies through the lens of government-backed trade financing, also known as officially-supported export credits (or simply "export credits"). Export credits provide a particularly useful setting for two reasons. First, government-backed trade financing constitutes one of the most frequently deployed industrial policy tools around the globe (Juhász, Lane, Oehlsen and Pérez, 2022; Evenett, Jakubik, Martín and Ruta, 2024). The scale of this market is substantial: in recent years, total outstanding trade financing stood at over $3.3 trillion, accounting for approximately 14% of the overall value of world trade and 11% of outstanding cross-border bank credit.[1] Second, unlike many other industrial policies whose magnitudes are difficult to quantify, export credits can be measured in dollar terms, enabling us to systematically analyze their distribution across countries and over time.

Despite their importance, there is no comprehensive data source on export credits. We address this fundamental data gap by assembling several new datasets by collecting and digitizing information from eight distinct types of sources: the OECD Development Assistance Committee (DAC), Joint External Debt Hub, historical Berne Union Yearbooks, historical OECD reports on external debt, the International Credit Insurance and Surety Association, AidData's datasets on Chinese and Indian development finance, the U.S. Export-Import Bank, and various national Export Credit Agency (ECA) reports. The resulting data provide unprecedented coverage of export credit stocks and flows, including from major non-OECD creditors such as China and India, spanning the period from 1962 to 2024. To the best of our knowledge, our study is the first systematic attempt at measuring the global export credit market.

In the first part of the paper, we uncover several new facts about the global export credit market. We begin by documenting China's remarkable ascendance and more recent decline in this market. China rapidly emerged as the leading export credit provider in the mid-2000s as part of the Belt and Road Initiative, which fundamentally reshaped the global industrial policy landscape. By the mid-2010s, China alone was extending more medium- and long-term (MLT) export credits than all OECD members combined. China accounts for nearly all MLT export credit to the world's poorest economies. Moreover, export credits are sufficiently large that countries facing Western sanctions, such as Russia, Iran, and Pakistan, rank among the top twenty recipients globally.

[1] The figures for total trade come from the World Trade Organization and for cross-border bank lending from the Bank for International Settlements.

We also document that export credits constitute a major component of international trade and global capital flows, particularly for developing economies. MLT export credits alone back over 15% of imports in low-income countries, with some countries receiving well above 50%. These flows remain substantial even for middle-income economies. Export credits account for approximately 70% of outstanding cross-border loan debt in low-income countries and roughly 40% in middle-income countries. These magnitudes imply that export credits play a crucial role for understanding both cross-border financial and trade flows, as well as global competition in industrial policy.

In the second part of the paper, we examine how geopolitical considerations shape the way creditor countries allocate export credits. Specifically, we relate volumes of newly extended export credits between creditor and recipient countries to their geopolitical alignment, which we measure using UN General Assembly voting data. We address concerns about omitted variables and reverse causality by using several empirical strategies: panel regressions with granular fixed effects to remove unobserved correlated shocks, local projections to investigate dynamics, a leave-one-out strategy to address the most obvious sources of omitted variable bias, and quasi-random variation in countries' geopolitical importance based on rotation onto the United Nations (UN) Security Council. To conduct this analysis, we require bilateral data on export credit flows. However, such data are confidential and withheld from the OECD's DAC dataset, which is the OECD's official system for tracking both aid and other financial flows. We address this by inferring bilateral export credits from accounting identities. While the DAC reports bilateral totals for official flows, the OECD's Creditor Reporting System (CRS) dataset covers all subcomponents *except* export credits. The difference between the two yields a proxy for bilateral export credits, which we validate and find to be reliable. For non-OECD creditors, we use information from AidData, which offers the best coverage of Chinese and Indian lending.

Our first empirical approach uses panel regressions and links export credit flows to the degree of geopolitical alignment between creditors and recipient countries. This analysis uncovers two key results. First, we find evidence consistent with differences in geopolitical strategies between Western and non-Western creditors. Western ECAs systematically provide less financing to geopolitically aligned countries, but non-Western creditors exhibit the opposite pattern.

Second, when we study how export credit volumes change over time within a given bilateral relationship, we find that stronger alignment predicts higher export credit provision for both groups, indicating that all countries favor "rewarding" a trend towards friendlier relations. These results also hold when we construct a predicted measure of political alignment using a 'leave-one-out' strategy based on a creditor's relationships with countries similar to the focal recipient. When examining the timing between changes in geopolitical alignment and export credit flows using local projection difference-in-differences, we find that export credits increase after recipient countries become more aligned, with no evidence of pre-trends.

These results suggest that industrial policy in the form of export credits is partly driven by

geopolitical competition among major creditors. To understand whether multilateral agreements can effectively constrain industrial policy competition, we study the role played by the OECD's Arrangement on Officially Supported Export Credits (or simply the "Arrangement"). The Arrangement is the key multilateral mechanism in the context of export credits. It establishes rules for pricing export credits according to counterparty risk, such that ECAs do not compete in a race to the bottom in the credit terms they provide.

Using local projection difference-in-differences, we show that changes in a recipient country's OECD risk scores, which are designed to capture a recipient country's fundamental creditworthiness for export credit repayment, are associated with a decrease in export credits. This pattern only holds for OECD members participating in the Arrangement, while non-Arrangement creditors if anything "crowd in" when OECD risk scores increase and Arrangement countries reduce export credits. Importantly, however, this multilateral cooperation has limits: when OECD creditors are closely aligned with the recipient country, changes in risk assessment do not predict export credit flows, suggesting that geopolitical alignment undermines multilateral agreements on industrial policy.

Our second empirical approach uses quasi-random variation in geopolitical influence generated by rotation onto the United Nations Security Council, an important venue of international coordination. The Security Council consists of five permanent members (China, France, Russia, the United Kingdom, and the United States) with veto power, and ten temporary members elected for two-year terms who contribute to decision-making but lack veto rights. Specifically, we implement a difference-in-differences event study design that compares export credit flows from permanent members to countries before and after they assume temporary Council seats. This design provides plausibly exogenous variation in countries' geopolitical value to permanent members, enabling causal inference about the role of geopolitical considerations in export credit allocation. We find that countries receive significantly more export credit from permanent Security Council members during their temporary membership period, an effect that dissipates rapidly after their terms end.

Taken together, our paper highlights a critical role for geopolitically-motivated industrial policy in global financial and trade flows. Export credits are not only major contributors to cross-border financing, but are also clearly influenced by political alignment across countries. As such, our paper opens many potentially important questions in international finance, trade, and political economy, which could further build on the new dataset we have constructed.

Related literature Our paper sits at the intersection of the literature on geoeconomics, international finance, and industrial policies. Most closely related is recent work on the geopolitics of industrial and trade policy, with a small literature focusing specifically on the causal effects of export agencies (e.g., Zia, 2008; Agarwal et al., 2023; Matray, Müller, Xu and Kabir, 2024). Theoretical work has examined how countries should set tariffs to shore up political alliances or in

anticipation of future conflict (Becko and O'Connor, 2024; Becko, Grossman and Helpman, 2025). Fetzer and Schwarz (2021) provide evidence that China's and the European Union's retaliation to recent U.S. tariffs were motivated by geopolitical concerns, in that they were carefully targeted to hurt Trump politically. To the best of our knowledge, we are the first to empirically investigate the link between geopolitical factors and industrial policy in a cross-country setting.

More generally, we build on a rapidly growing literature on geoeconomics (e.g., Clayton, Maggiori and Schreger, 2023, 2024; Mohr and Trebesch, 2024; Broner, Martin, Meyer and Trebesch, 2025), which Clayton, Maggiori and Schreger (2025*a*) define as "the use of a country's economic strength to exert influence on foreign entities to achieve geopolitical or economic goals." This literature has mostly focused on three aspects: (i) how to measure geoeconomic pressure, with a particular attention devoted to sanctions,[2] the signing of specific treaties (e.g., Broner, Martin, Meyer and Trebesch, 2025), and a more recent usage of LLM techniques (Clayton, Coppola, Maggiori and Schreger, 2025); (ii) how governments are able to project geoeconomic power abroad;[3] (iii) how geopolitical alignment affects trade and capital flows (e.g., Kempf, Luo, Schäfer and Tsoutsoura, 2023; Ayyagari, Gao and Ma, 2024; Gopinath, Gourinchas, Presbitero and Topalova, 2025),[4] as well as which countries become the issuers of global reserve currencies.[5]

We make three main contributions to this literature. First, we provide the most comprehensive empirical documentation to date of the global export credit market, including its size, growth, geographic distribution, and the rising dominance of non-OECD creditors, particularly China. While export credits represent a major instrument of industrial policy, they have received limited attention in the economics literature relative to their economic significance. Our newly assembled dataset spans multiple decades and draws on diverse sources to overcome the fragmentation and opacity that has long characterized this market. We document new facts about its importance in capital flows, in particular that export credits constitute almost 70% of cross-border lending for low-income countries that have difficulty accessing other types of cross-border financing.

Second, we provide causal evidence that geopolitical alignment shapes the allocation of export credits across countries. Our findings that industrial policy tools are deployed not only for economic efficiency or domestic political economy reasons but also as instruments of geoeconomic statecraft establish export credits as a quantitatively important lever through which countries

[2]Recent contributions include, among others, van Bergeijk (2021), Itskhoki and Mukhin (2022),Morgan, Syropoulos and Yotov (2023), Bianchi and Sosa-Padilla (2024), Becko (2024), Ottonello, Perez and Witheridge (2024), de Souza, Hu, Li and Mei (2024), Goldberg, Juhász, Lane, Lo Forte and Thurk (2024), Barwick, Kwon, Li, Wang and Zahur (2024), Berg, Keil, Martini and Puri (2024), Korovkin, Makarin and Miyauchi (2025), Liu, Rotemberg and Traiberman (2024), Gerarden, Reguant and Xu (2025), and Corsetti, Demir and Javorcik (2025).

[3]These studies have focused on policy levers such as asymmetric import dependence (Liu and Yang, 2025), domestic political economy forces (Clayton, Maggiori and Schreger, 2025*b*), as well as tariffs and trade agreements (Fajgelbaum, Goldberg, Kennedy and Khandelwal, 2020; Khandelwal and Fajgelbaum, 2022; Miravete and Moral, 2025).

[4]For additional evidence on the empirical link between geopolitical alignment and trade, see, among others, Lastauskas, Proškute and Žaldokas (2025), and Qiu, Xia and Yetman (2025).

[5]See, for example, Farhi and Maggiori (2018), Gopinath et al. (2020), Boz et al. (2022), Coppola, Krishnamurthy and Xu (2023), Clayton, Santos, Maggiori and Schreger (2024), and Abadi, Fernández-Villaverde and Sanches (2025). Relatedly, Eichengreen, Mehl and Chițu (2019) show that geopolitical alignment predicts currency choice in the pre-World War I era.

project economic power abroad—alongside the previously documented channels of sanctions, aid, tariffs, and asymmetric trade dependencies.

Third, we provide evidence on the limits of multilateral coordination in constraining industrial policy competition when major economic actors operate outside agreed frameworks. By examining compliance with the OECD Arrangement, we show that while these rules impact member countries' export credit terms, geopolitical alignment weakens this discipline even among member states. More fundamentally, the rise of China—now the world's largest export credit provider—and other non-OECD creditors operating outside the Arrangement has created a two-tier system that undermines the cooperative equilibrium, with potential implications for understanding when and how international agreements can prevent races to the bottom in industrial policy.

We also speak to the literature on the rise of China as an important creditor and its role in government bailouts (Horn, Reinhart and Trebesch, 2021*b*; Horn, Parks, Reinhart and Trebesch, 2023; Horn, Reinhart and Trebesch, 2025*a*). Equipped with our newly constructed datasets, we believe to be the first to document systematically that trade financing plays a major role for understanding cross-border capital and trade flows, with a dominant role for state-backed export credits in developing countries. These findings raise important questions about the role of governments in global capital allocation. Indeed, Gourinchas and Jeanne (2013) show that the "allocation puzzle" of capital flowing to countries with lower productivity growth is explained by public rather than private flows. Our findings suggest that, at least in part, this pattern is due to the inherently geopolitical nature of export credits, which account for a large part of cross-border bank lending.

Finally, we contribute to the broader literature on the economic effects of industrial policy (e.g., Juhász, 2018; Itskhoki and Moll, 2019; Kim, Lee and Shin, 2021; Garin and Rothbaum, 2022; Lane, 2025; Choi and Levchenko, 2021; Juhász, Lane, Oehlsen and Pérez, 2022; Alfaro, Fadinger, Schymik and Virananda, 2025).[6] While this literature has mostly focused on the economic *consequences* of industrial policies, our work studies the *determinants* of a specific industrial policy, namely export credits, with a focus on geopolitical drivers. Because we study the role of the OECD Arrangement that governs export credits, our work also speaks to the usefulness and limitations of multilateral agreements in preventing a "race to the bottom" in industrial policy, in which countries outbid each other in subsidizing domestic exporters. A related paper by Cesa-Bianchi, Ferrero, Fornaro and Wolf (2026) provides a framework in which one country's industrial policy leads to trade deficits and lower competitiveness of the tradable sector abroad, which could rationalize such an arms' race in industrial policy.

The paper proceeds as follows. Section 2 provides institutional background while Section 3 presents stylized facts on the global market for official export credits. Section 4 discussed the rise of China. Section 5 provides evidence on how geopolitical considerations are reflected in the global allocation of export credits.

[6] See Harrison and Rodriguez-Clare (2010), Lane (2020), and Juhász, Lane and Rodrik (2024) for surveys.

2. Institutional Context

This section provides institutional background on export credits. We begin by defining export credits and Export Credit Agencies (ECAs), the governmental institutions that supply them, and describe the tools these agencies use. We then describe how these institutions operate within multilateral agreements, especially the OECD Arrangement on Officially Supported Export Credits (or simply "Arrangement"). We discuss the objectives pursued through export credit provision, distinguishing between its role as a mechanism for political and commercial risk mitigation and its function as a tool of geopolitical and strategic influence.

2.1 What Are Export Credits?

We use the term "trade finance" to refer broadly to loans, guarantees, and insurance instruments that facilitate the sale of domestic goods and services abroad. Trade finance thus comprises instruments of various tenors (including short-term financing) provided by both public and private sector institutions.

By "officially-supported export credits" or simply "export credits," we mean the component of trade financing that involves explicit or implicit state backing. These export credits enable transactions that would otherwise be unviable in private markets due to excessive risk, prohibitively long maturities, or misalignment with commercial lenders' balance sheet and profitability constraints.

2.1.1 Export Credit Agencies (ECAs)

Export Credit Agencies (ECAs) are public or publicly backed institutions that support cross-border trade by underwriting risk and providing financing where private markets are unwilling or unable to do so, or cannot do so on comparable terms.

In most countries, ECAs are active primarily in cases involving: (i) longer maturities or large-scale capital goods and infrastructure projects in which private lenders are reluctant to lock up capital; (ii) destinations with large frictions due to elevated political or sovereign risk, incomplete insurance and credit markets, or concentrated private markets where profit-maximizing institutions artificially ration credit supply; and (iii) periods of financial stress or global credit tightening.

Beyond pure trade facilitation, ECAs often pursue broader national objectives, including supporting domestic industrial sectors, maintaining export competitiveness, and advancing strategic or geopolitical goals. In fact, the trade financing provided by ECAs is one of the most common forms of modern industrial policy (Juhász, Lane, Oehlsen and Pérez, 2022).

Institutional forms. ECAs take several organizational forms. While these models differ in legal structure, governance, and balance sheet treatment, they perform similar economic functions.

Appendix C provides more details on the different institutional forms. Table C.1 provides a list of all active ECAs, their years of founding, as well as whether they are part of the OECD Arrangement, discussed below.

2.1.2 Instruments of export credit support

ECAs use a relatively similar set of instruments, which can be grouped into two broad categories: (i) risk-transfer instruments and (ii) financing instruments.

Risk-transfer instruments: insurance and guarantees. ECAs offer support to address market failures arising from uninsurable risks (such as sovereign risk or weak legal enforcement), financial market frictions (including adverse global conditions), or market power that allows private lenders to charge excessive markups above competitive rates.

- **Export credit insurance.** ECAs provide insurance to exporters against non-payment by foreign buyers. This typically covers both *political risks* (e.g., expropriation, transfer restrictions, war, or government default) and *commercial risks* (e.g., buyer insolvency or non-payment). Coverage rates usually approach 100% for political risks and 85–95% for commercial risks. Insurance may apply to short-, medium-, or long-term credits depending on the transaction.
- **Loan and bond guarantees.** ECAs also issue guarantees to commercial banks or financial institutions that finance foreign buyers. These guarantees reduce credit risk and regulatory capital requirements for private lenders, thereby expanding access to private trade financing.

Financing instruments: direct lending and refinancing. Beyond insuring risk, many ECAs directly provide or intermediate capital, which shapes the availability, maturity, and pricing of international financing.

- **Direct loans.** These loans (typically provided to foreign buyers for the purchase of national exports) are either working capital loans or medium- to long-term loans and may be structured in accordance with international rules on repayment periods, interest rates, and maximum financing shares.
- **Refinancing and rediscount facilities.** In other systems, commercial banks originate export loans, which are then refinanced by a state export finance institution. This reduces the funding burden on private banks and allows governments to influence lending terms.
- **Interest rate support mechanisms.** Several countries operate interest rate equalization schemes to allow exporters or banks to offer fixed-rate financing at below-market interest rates, while compensating the lending institution for the difference between market funding costs and the administered rate.

2.1.3 Default, subrogation, and external debt classification

The instruments described above can be structured along two basic contractual forms. In a *buyer credit* arrangement, the ECA lends to—or guarantees a loan extended to—the foreign importer, who uses the proceeds to pay the domestic exporter. In a *supplier credit* arrangement, the ECA instead insures or guarantees the domestic exporter (or its commercial bank) against non-payment by the foreign buyer, and the exporter extends trade credit to the buyer directly.[7]

Regardless of contractual form, these transactions create external repayment obligations for the foreign buyer. Moreover, the financing is *tied*: disbursements are conditional on purchases from the exporting country and are typically paid directly to the exporter, so export credits are both external debt and instruments of trade promotion. While buyer and supplier credits differ in structure, in practice two standard legal mechanisms ensure that the foreign buyer remains the ultimate obligor.

The first mechanism is *subrogation*. When an ECA pays out under an insurance policy or guarantee—compensating the domestic exporter or its commercial bank for the foreign buyer's non-payment—the ECA acquires the exporter's claim against the foreign buyer (Gianturco, 2001; Clifford Chance, 2011). The foreign buyer's obligation does not disappear; only the identity of the creditor changes, from a private firm (the original exporter) to a sovereign agency (the ECA). Economically, the identity of the borrower remains the same. ECAs can leverage diplomatic channels, coordinate through the Paris Club, and invoke cross-default clauses on other sovereign obligations to enforce repayment.

The second mechanism is the *assignment of receivables*. ECAs typically require the exporter to assign the buyer's payment obligation to the ECA or the lender guaranteed by the ECA (Clifford Chance, 2011; OECD, 2008). This ensures that the ECA holds a direct claim on the foreign buyer from the outset, not only after default.

These mechanisms have two implications. First, the distinction between buyer and supplier credit structures is largely one of *contractual routing* rather than *economic exposure*. In both cases, the foreign buyer bears the repayment obligation, and sovereign default leads to intergovernmental negotiation regardless of structure.[8] The choice between forms instead reflects factors such as the government's willingness to hold direct obligations, the parties' creditworthiness, and the ECA's preference for retaining recourse to both the exporter and the foreign buyer (Stephens, 1999; Wang, Mansilla, Kikuchi and Choudhury, 2005). Accordingly, export credit claims feature prominently in Paris Club restructurings alongside bilateral loans: Rieffel (2003) documents that close to 80 percent of such obligations are owed to ECAs.[9]

[7] See Stephens (1999) for a comprehensive treatment, and Wang, Mansilla, Kikuchi and Choudhury (2005) for a discussion of the shift from supplier to buyer credit structures over time.

[8] In most large transactions, especially in infrastructure and energy, the borrower is a sovereign entity or is explicitly sovereign-guaranteed, making the obligation effectively public from inception.

[9] The Paris Club's own principles confirm that eligible claims include "credits granted or guaranteed or insured by the public sector (principally export credit agencies)." See also Blackmon (2017).

Second, and more directly relevant for our data, these mechanisms imply that officially supported export credits are *de facto* external obligations of recipient countries, even when the formal counterparty is a domestic exporter. This classification is codified in international statistical standards: the IMF's *External Debt Statistics Guide* lists trade credits and advances as external debt instruments (Inter-Agency Task Force on Finance Statistics, 2014), and the *Balance of Payments Manual* records them as external liabilities under "other investment" (International Monetary Fund, 2009). Thus, the magnitudes we document reflect genuine sovereign exposure rather than contingent or indirect claims. More broadly, because these liabilities are tied to procurement from specific creditor countries, they provide a natural channel for geoeconomic competition.

2.1.4 Multilateral frameworks

The contemporary system of export credits is governed by two key multilateral frameworks: the OECD Arrangement on Officially Supported Export Credits (or simply the "Arrangement") and the Paris Club of official creditors. Together, these institutions structure both the *ex ante* disciplining of export credit terms and the *ex post* resolution of sovereign distress arising from export credit exposures.

The OECD Arrangement on Officially Supported Export Credits. The OECD Arrangement is a non-binding but highly institutionalized "gentleman's agreement" among major creditor countries including both OECD and non-OECD members.[10] Its primary purpose is to set common parameters for the financial terms of export credit support based on assessments of recipient risk. Appendix C provides additional details. We empirically assess compliance with the OECD Arrangement in Section 5.3.

The Paris Club and the restructuring of ECA-related sovereign debt. The Paris Club is an informal grouping of official bilateral creditors that coordinates the restructuring of sovereign debt when debtor countries encounter repayment difficulties. Because export credits extended or guaranteed by national export credit agencies ultimately become intergovernmental obligations, their default or distress typically triggers negotiations at the creditor–state level rather than through private bankruptcy or litigation channels. The Paris Club therefore plays a central role in resolving sovereign distress that arises from those credits *ex post*.

2.2 Objectives

Export credits are motivated by a combination of economic and political objectives. Governments justify export credit support on multiple grounds: correcting market failures such as uninsurable

[10]The Arrangement applies to officially supported export credits with repayment terms of two years or more, covering exports of goods and services as well as financial leases. It explicitly does not apply to military equipment and agricultural commodities.

risks and financial frictions, countering market power that allows private lenders to extract excessive rents, and advancing broader goals of industrial, national security, or foreign policy.

2.2.1 Political and commercial risk mitigation

A primary economic rationale for government involvement in export credit markets is to address market failures in private trade finance, particularly related to risks that are difficult or impossible to insure through commercial channels (e.g., Matray, Müller, Xu and Kabir, 2024). Export transactions, especially those involving large capital goods or long repayment periods, expose exporters and their financiers to two broad categories of risk: commercial and political risks. These are particularly salient in cross-border transactions where legal frictions raise the losses incurred during default.

Commercial risks. Commercial risks encompass the standard credit risks associated with any lending relationship: buyer default, payment delays, insolvency, or disputes over contract terms. While private insurance markets and banks can often price and manage these risks for domestic transactions, cross-border trade faces particularly elevated asymmetric information and enforcement frictions.

Information asymmetries are particularly severe in cross-border transactions, making it difficult to accurately assess credit risk. Credit histories may be incomplete or unavailable, financial reporting standards differ across countries, and the ability to conduct due diligence is limited by distance and lack of familiarity with local business practices. These information frictions are especially acute for transactions with buyers in developing countries, where credit bureaus may be nascent and financial transparency limited and exporters must slowly learn about importers' credit risk (Antràs and Foley, 2015; Benguria, Garcia-Marin and Schmidt-Eisenlohr, 2024).

Enforcement frictions compound these information problems. While domestic credit markets benefit from established legal systems and bankruptcy procedures, cross-border commercial disputes require navigating multiple jurisdictions, creating barriers to trade (e.g., Anderson and Marcouiller, 2002; Berkowitz, Moenius and Pistor, 2006; Nunn, 2007; Antràs and Foley, 2015). Even when legal rights are clear, enforcing judgments across borders is costly, time-consuming, and uncertain. The threat of legal action is therefore considerably weaker in international transactions.

Political risks. Political risks present an even more fundamental challenge for private markets. These risks include expropriation or nationalization of assets, war or civil unrest, currency inconvertibility or changes to capital controls, the sudden imposition of trade barriers, and other government actions that prevent contract fulfillment.[11]

Fundamental insurability frictions make it particularly difficult for private markets to address political risks. First, events such as coups, wars, or expropriations are rare and context-dependent,

[11] See Appendix D and Matray, Müller, Xu and Kabir (2024) for evidence on the empirical relevance of political risks in ECA operations.

making them difficult to predict and price. Second, these events tend to generate highly correlated losses, because political shocks often affect entire countries or regions simultaneously. Third, individual private actors may lack sufficient scale to pool political risks across enough transactions or destinations such that diversification is impossible.

Information asymmetries are even more severe for political risks than for commercial risks. Assessing the likelihood of political instability, policy shifts, or government actions requires country expertise, intelligence about political dynamics, and often privileged information that private actors cannot easily obtain (e.g., Tomz and Wright, 2013). Governments, through their diplomatic networks and intelligence services, have substantial information advantages in evaluating political risks. For example, the US EXIM is required by statutory mandate to cooperate with the Departments of State, Treasury, and Commerce through regular meetings to assess country risk.

Enforcement frictions are also highly binding in the context of political risks. Sovereign immunity limits the private sector's ability to pursue legal remedies against governments that expropriate assets or impose currency controls (Eaton and Gersovitz, 1981). International arbitration mechanisms exist but are slow, expensive, and their judgments are not always enforceable. As a result, when political events cause losses, there is often no recourse for private creditors.

2.2.2 Market power and credit rationing in trade finance

Due to the frictions discussed above, private lenders may fail to provide trade financing even in a competitive market (Stiglitz and Weiss, 1981). In addition, they may exercise market power due to the specialized nature of trade financing. Establishing international operations requires substantial fixed costs, including developing correspondent banking networks, acquiring country-specific expertise, and implementing complex cross-border compliance systems. These barriers to entry allow existing lenders to charge markups, contracting supply below the competitive level (e.g., Cetorelli and Strahan, 2006).

By contrast, a government agency that places positive weight on domestic objectives such as employment and export competitiveness will charge lower markups than profit-maximizing private lenders, expanding credit supply to transactions that are otherwise rationed.

These frictions suggest an efficiency-based rationale for government support of export credits. However, this economic rationale also creates opportunities for geopolitical considerations to influence ECAs' financing decisions. If political risk is the key concern, then assessments of bilateral political relationships, and government efforts to shape those relationships, become central to the allocation of export credit support. The fact that ECAs explicitly evaluate and price political risk means that geopolitical factors are key to the core function of these institutions.

2.2.3 Geopolitical and strategic objectives

While the risk mitigation rationale provides an economic justification for government involvement in export credit markets, in practice many countries explicitly incorporate geopolitical and strategic considerations into their ECA mandates.

United States. The US EXIM Bank's 2019 reauthorization provides a particularly clear contemporary example of geopolitical motives. The legislation created the China and Transformational Exports Program (CTEP), which was explicitly designed to "directly neutralize export subsidies for competing goods and services" offered by China. The program's stated purpose is to counter Chinese economic influence by matching or exceeding the financing terms that China offers to strategic sectors and countries.

The choice of early CTEP transactions underscores this strategic intent. Among the program's first and largest deals were multiple transactions to Angola including a $900 million direct loan for solar energy projects in 2023, a $363 million loan guarantee for bridge infrastructure, and a $1.6 billion direct loan for rural solar and water infrastructure approved in 2024. These transactions are particularly significant given that Angola has been the largest recipient of Chinese financing in Africa, receiving an estimated $28 billion in loans from China since 2002.

China's Belt and Road Initiative. China's Belt and Road Initiative (BRI), launched in 2013, represents perhaps the most explicit contemporary example of export credits serving geopolitical objectives. BRI financing concentrates on infrastructure projects—ports, railways, telecommunications networks—in countries of strategic importance to China, particularly those providing access to critical resources, maritime routes, or regional influence. The initiative's geographic focus on Central Asia, Southeast Asia, Africa, and parts of Europe reflects China's broader strategic priorities: securing energy and commodity supplies, establishing transportation corridors that bypass potential chokepoints, and according to some observers building economic dependencies that translate into diplomatic leverage. For existing work on Chinese overseas lending see, among others, Horn, Reinhart and Trebesch (2021*b*), Horn, Parks, Reinhart and Trebesch (2023), and Horn, Reinhart and Trebesch (2025*b*).

By extending export credits on terms more favorable than Arrangement rules permit and outside the framework, China has also become the largest player in global export credits. This rapid expansion, which we document in more detail in Section 3, has prompted responses from established powers, including the U.S. EXIM Bank's China and Transformational Exports Program and the OECD's 2023–24 Modernisation Package, which relaxed Arrangement discipline to compete with Chinese financing terms.

3. Stylized Facts About Export Credits

There is little empirical evidence on the size, role, and functioning of the global export credit market. We thus begin by providing several stylized facts that, to the best of our knowledge, are new to the literature. Because we draw on many different sources, often newly digitized, we describe each data source as we proceed. For full details on data sources and construction, see Appendix A.

3.1 Global Size and Trends

Global Outstanding Trade Financing Exposure. Figure 1a examines total outstanding trade financing exposure worldwide, including short-term financing that is mostly provided by the private sector. We estimate outstanding trade credit amounts using data from the Berne Union, an industry association of both public and private trade financing providers. We differentiate between short-term (ST) and medium- and long-term (MLT) credits and adjust nominal amount in dollars of 2022. From 2005 onwards, these data are available from the Joint External Debt Hub (JEDH); prior to that, we digitize them from various print editions of the Berne Union Yearbook.[12]

Figure 1a shows several notable patterns. First, the global trade financing market is substantial, reaching approximately $5.8 trillion in outstanding exposure by 2022. Second, while short-term credit (shown in pink) dominates the market, MLT credit (shown in blue) constitutes a sizable and growing share, reaching roughly $3.3 trillion by 2022. Within the MLT segment, officially-supported export credits dominate, with negligible private participation.[13] Third, the overall trajectory shows steady growth over the last several decades, in line with the general trend in globalization.

Newly Disbursed MLT Export Credit. Figure 1b examines newly disbursed MLT export credits, a segment almost entirely dominated by ECAs, and therefore one that provides near-complete coverage of global MLT trade financing flows.

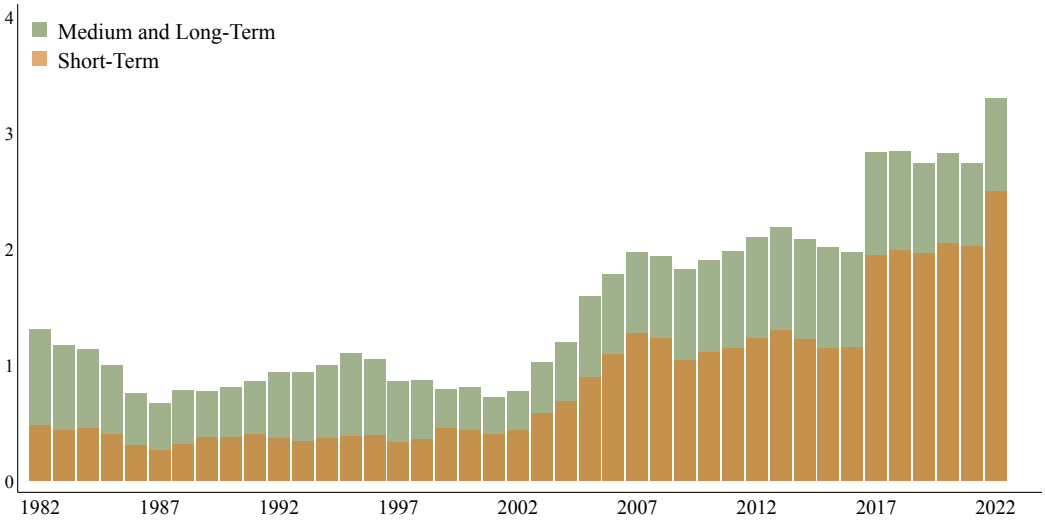
We combine two complementary sources. For OECD countries, we use data from the OECD Development Assistance Committee (DAC) database, which reports newly disbursed MLT export credits, supplemented with historical values from International Monetary Fund (1970). While the DAC data are comprehensive for OECD creditors, they do not contain information on China and India. We thus use project-level data from AidData as a supplementary source, where we keep

[12] As described in Appendix A, some of the values we report are estimated rather than directly observed. Between 2002 and 2005, there is a gap in the reporting of outstanding amounts. For 1982–1991, the Berne Union reports only new commitments (gross flows) rather than stocks; we splice outstanding values based on these flows. We believe this approach is plausible because trade finance flows and stocks are highly correlated, partly because most have a maturity under one year. Because of changes in the members of the Berne Union, these aggregates can contain statistical breaks, but are the best available source on the size of global trade financing.

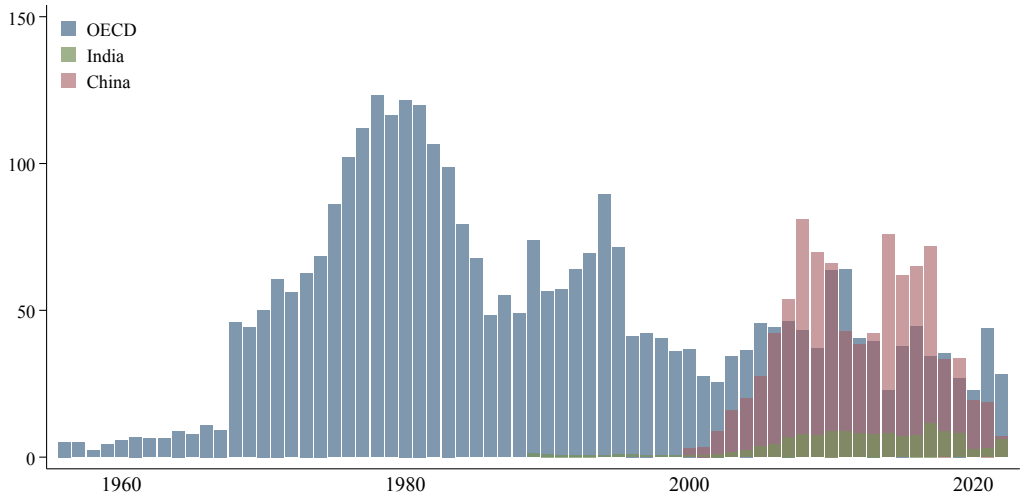
[13] These longer maturities are typically required for capital goods, infrastructure projects, and other large-scale transactions that ECAs are designed to support.

FIGURE 1: **Trends in Global Export Credit Exposure and Issuance**

(A) Global Outstanding Exposure, By Maturity



(B) Newly Disbursed MLT Export Credits, By Creditor



Note: Panel A plots the total global outstanding exposure, broken down by short-term versus medium- and long-term maturities from 1982 to 2022, based on data from the Berne Union. Panel B plots the flow of newly disbursed Medium- and Long-Term (MLT) export credit from 1955 to 2022. The OECD data are from the Development Assistance Committee (DAC) database and International Monetary Fund (1970). The data for China cover 2000–2022 and are compiled from two sources: various editions of the U.S. EXIM's Competitiveness Report (for 2000–2009) and AidData's China's Global Loans and Grants Dataset (for 2001 and 2010–2022). Data for India are based on the U.S. EXIM's Competitiveness reports and data on total newly disbursed credits digitized from the Export-Import Bank of India's annual reports (1998–2022). To derive medium- and long-term (MLT) figures from these annual reports, we calculate the share of MLT credits (sourced from U.S. EXIM Competitiveness Reports, 2015–2021) during the overlapping period. Then, we multiply total export credits from the Indian EXIM's annual reports with this ratio to estimate MLT flows for the years not covered by the U.S. EXIM reports. See Appendix A for details.

loans with a maturity larger than two years to match the OECD definition. We define export credits from China and India as Other Official Flows (OOF) involving their respective ECAs—the Export-Import Bank of China, Sinosure, and Export-Import Bank of India. Appendix A provides more details.

Figure 1b distinguishes among the three largest providers: OECD countries (blue), China (pink), and India (green). The transformation of this market over the past two decades is striking. In the early 2000s, OECD countries accounted for almost all MLT export credit activity. However, beginning around 2005, China's push for growth in this market fundamentally reshaped the landscape. Chinese MLT export credit disbursements grew so rapidly that by the mid-2010s, China alone was providing more MLT export credit than all OECD countries combined. While smaller in magnitudes, India's role has also grown substantially. Given that neither China nor India are part of the OECD Arrangement and do not share comparable data on their export credits, focusing only on the readily available OECD records omits these significant structural shifts in the global market.

3.2 Major Official Export Credit Providers

We next turn to understanding which countries play the largest roles in the market of officially-supported export credits, based on data provided in the U.S. EXIM's *Competitiveness Report*. These reports cover MLT credits, the segment dominated by ECAs, and apply a consistent methodology across both OECD and non-OECD providers to facilitate cross-country comparisons. However, China does not participate in these surveys. As a result, the U.S. EXIM Bank estimates its lending using industry publications and publicly available reports from the China Exim Bank and Sinosure.[14]

Top Creditors. Figure 8 plots two dimensions of creditor size: the first is in absolute USD terms, and the second calculates the share of the creditor country's exports backed by export credits. For both, we calculate the total cumulative values of MLT credit extended by ECAs in the decade from 2015–2024.[15]

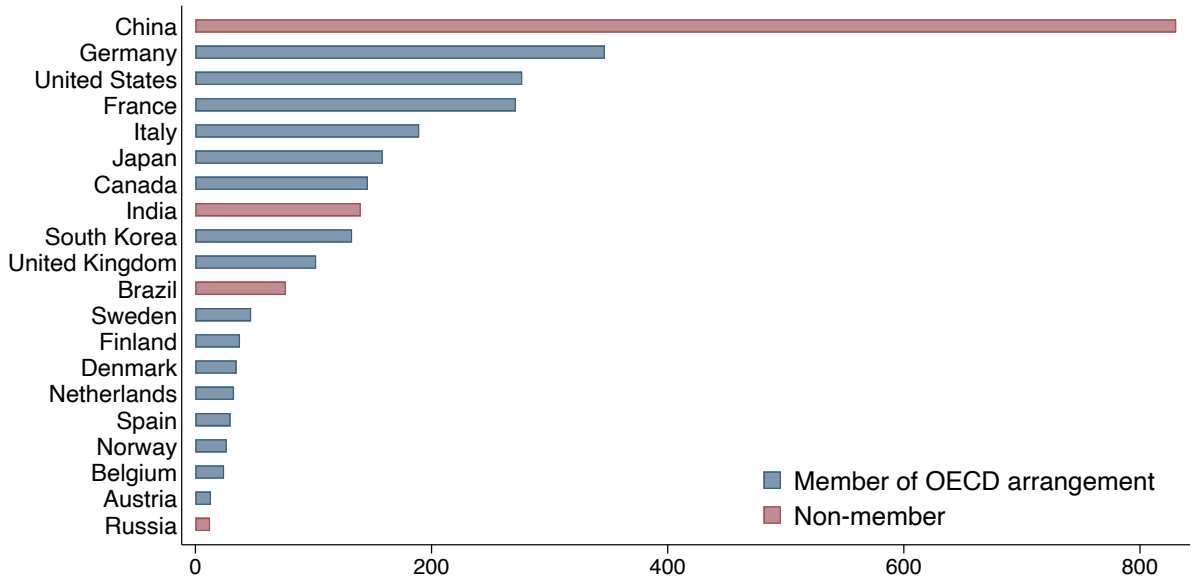
Three facts are noteworthy. First, there is a substantial degree of overlap in the ranking of creditors whether we use absolute dollar amounts (Figure E.3a) or scale credit by a country's exports (Figure E.3b). Second, several non-OECD members are significant creditors, especially China when looking at total dollars of credit provided (Figure E.3a). Third, relative to their total exports, the Scandinavian countries, Italy, and Korea rely particularly on ECA-provided MLT credits (Figure E.3b), although China is still the 7th largest supplier and India the 9th.

[14]These data are better suited for a comparison of the largest creditors because of their comprehensive coverage. While the OECD DAC and AidData report longer time series and a breakdown of recipients, their data is collected through a different process. We manually cross-checked the values reported in the U.S. EXIM's Competitiveness Report with values from the individual ECAs' annual reports and found them to be closely aligned.

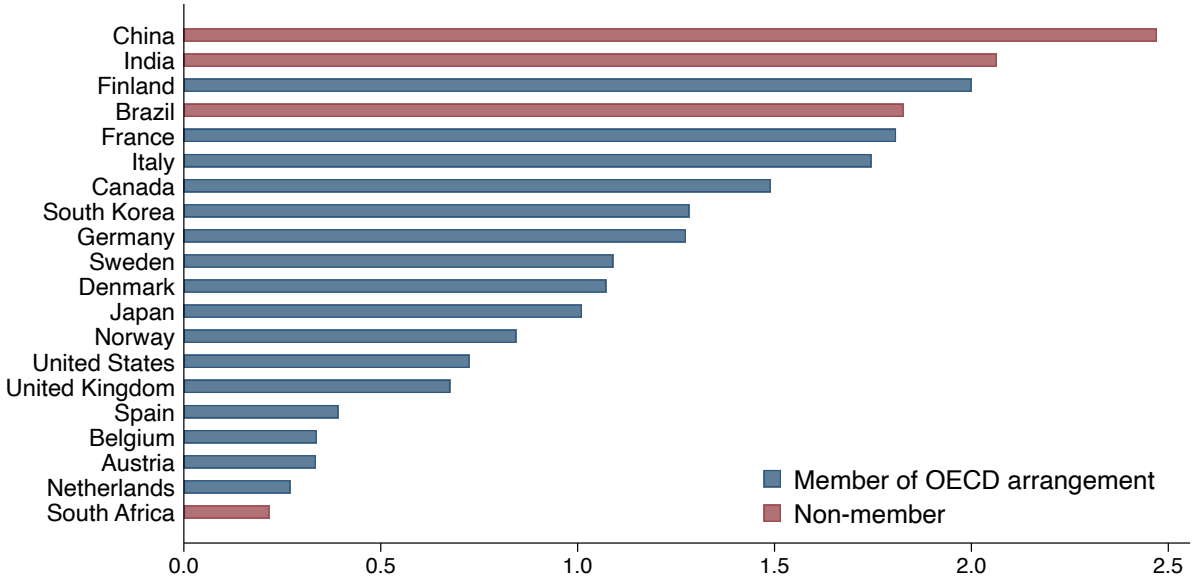
[15]Note that for 2015–2019, the U.S. EXIM bank was almost fully shut down, during which time its lending activity collapsed by approximately 80%. Therefore, the relative size of the U.S. is understated relative to its steady-state activity.

FIGURE 2: **Major Providers of Officially-Supported Export Credits**

(A) Cumulative MLT Export Credits (in USD billions)



(B) Share of Exports Covered by MLT Credits (%)



Note: Panel A plots the sum of newly issued medium- to long-term credit exports from 2015 to 2024. Panel B plots the share of total exports from 2015 to 2024 covered by medium- to long-term credit exports. We highlight countries based on their membership in the OECD Arrangement. Data are from the U.S. EXIM Bank's 2024 Competitiveness Report. For OECD Arrangement participants, figures are based on formal data-sharing agreements. For non-participants, data are provided voluntarily; however, figures for China are estimated by U.S. EXIM based on industry analysis and the annual reports of the Export-Import Bank of China and Sinosure. See Appendix A for more details.

3.3 Major Recipient Countries

Having established who the major providers of export credits are, we now turn to understanding which countries are the primary recipients. We continue to use the OECD DAC and AidData sources described in Section 3.1. We calculate the cumulative MLT export credits received by each recipient country between 2000 and 2021, based on the starting date of the AidData dataset.[16]

Top Recipients. Figure 3a shows several facts. First, all major recipients are developing countries. The five largest recipients—India, Indonesia, Iran, Russia, and Turkey—received an average of $69.7 billion in export credits since 2000. The next five—Angola, Brazil, Mexico, Pakistan, and Vietnam—all received an average of $50.3 billion.

Second, many major recipients are strongly supported by China. The overwhelming majority of export credits to large countries like Russia, Iran, and Pakistan, which have all experienced sanctions from the U.S. and the Western bloc, originate from China. However, even smaller countries like Belarus receive more support from China than the OECD combined. Among the top 20 recipients, only Turkey, Mexico, Egypt, China and Thailand receive a clear majority of export credit from the OECD. China is the only country that is both one of the top twenty creditors (Figure E.3a) and top twenty borrowers (Figure 3a).

Third, the matching between creditors and recipients clearly reflects geopolitical ties. Mexico mainly receives support from OECD countries, and Russia mainly from China. Geopolitical "swing countries" like India, Brazil, Indonesia, and Vietnam, on the other hand, receive considerable amounts of export credit from both. These patterns are thus a clear first indication of the role of geopolitics in shaping industrial policy, as reflected in the market for export credits.

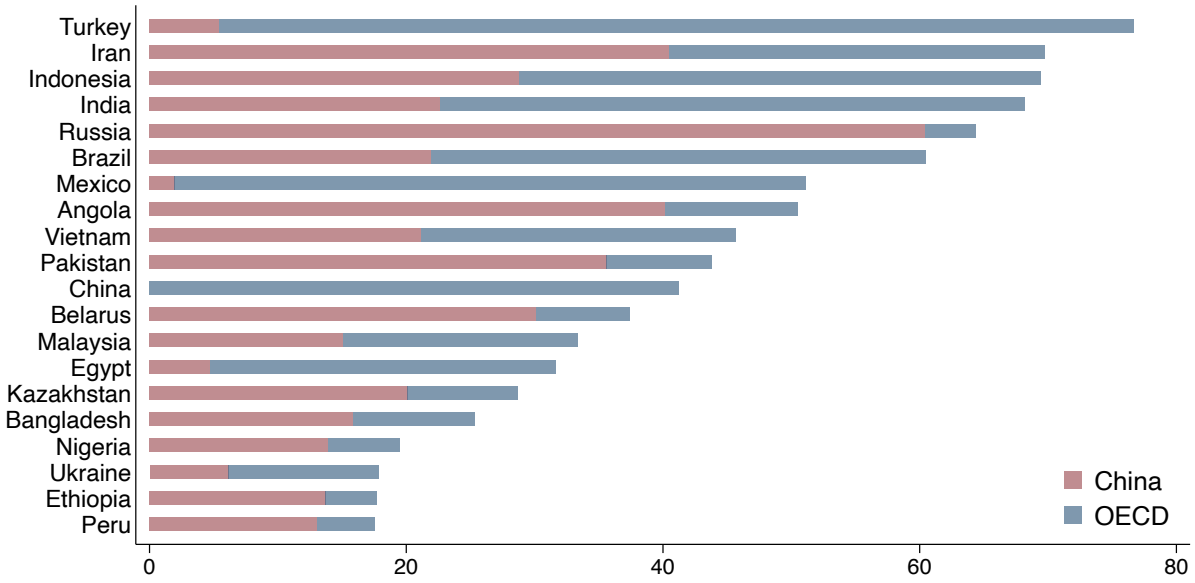
Recipients By Income Group. Figure 3b aggregates total MLT export credits by income groups (as classified by the World Bank) and highlights four findings.

First, the vast majority of export credits flow to middle-income countries, with lower-middle and upper-middle income groups receiving $622 billion and $575 billion over this period, respectively. Second, high-income countries receive relatively less MLT export credits, consistent with the fact that private financing is more readily available for trade with developed economies. Third, low-income countries receive relatively modest volumes in absolute terms, but as we will show below, these flows represent a substantial share of their total imports and external debt. Finally, Chinese lending is important across all income groups, but particularly so for low-income countries where China accounts for almost the entirety of export credit flows. OECD countries provide a more substantial share only for upper-middle income countries, although even here China provides almost as much export credit as the OECD combined.

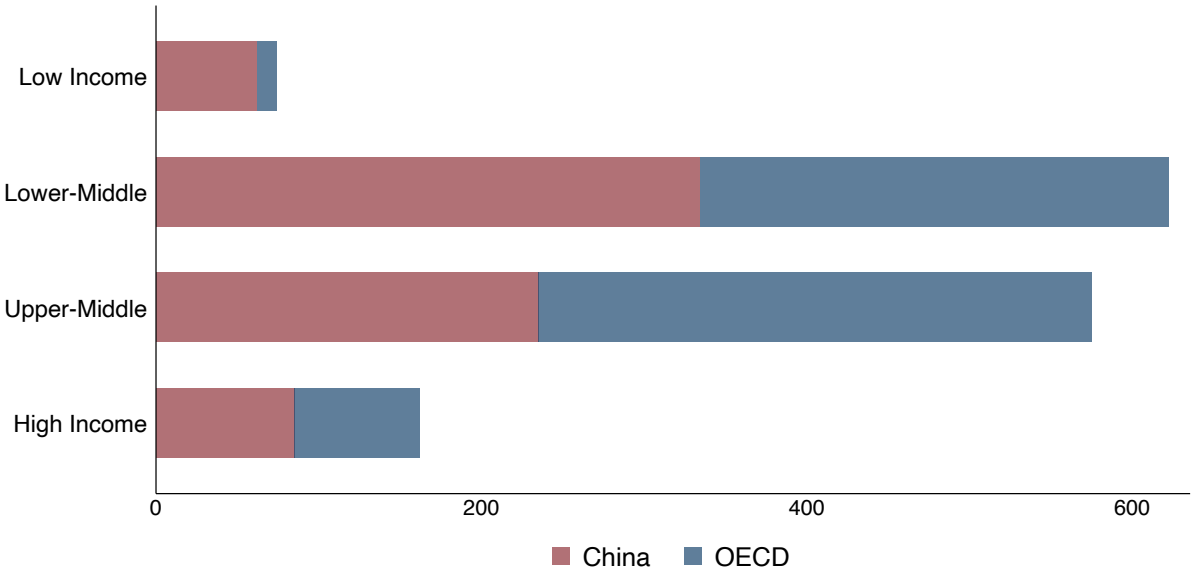
[16] A limitation of these data is that they do not include short-term trade financing. Some ECAs, especially the Korean KSURE and Chinese Sinosure, predominantly insure against short-term default on accounts payable and will not be captured here.

FIGURE 3: **Recipients of Export Credits by Creditor**

(A) Top Recipient Countries (in USD billions)



(B) Recipients' Income Group (in USD billions)



Note: Panel A plots the 20 recipient countries of newly-issued medium- to long-term (MLT) export credits, based on cumulative volumes between 2000 and 2021. We differentiate between MLT credits by OECD members (based on the OECD DAC database) and China (constructed using AidData). Panel B plots the cumulative issuance by income group, classified based on data from the World Bank. See Appendix A for more details on data construction.

3.4 Importance for Cross-Border Finance and Trade

How important is trade financing, and especially the medium- to long-term (MLT) credits provided by ECAs? The numbers above already suggest a large market size in absolute terms, but do not relate export credits to trade or financial flows.

For this analysis, we rely on data from the Joint External Debt Hub (JEDH), which reports the stock of outstanding debt that countries owe in the form of trade financing. These data are compiled by the Berne Union and include both ST and MLT credits. As in Figure 1a, these are stock measures showing total amounts currently owed.

We construct two sets of ratios to assess the importance of trade financing. First, we compare outstanding trade credit to the volume of a recipient country's total imports, which measures the role of trade financing in facilitating trade. Second, we compare it to outstanding cross-border loan debt, which measures its importance for capital flows. We take data on imports from the Global Macro Database (Müller, Xu, Lehbib and Chen, 2025), and cross-border loan data from the Bank for International Settlements' Locational Banking Statistics. For each country, we calculate these ratios and average them over 2005–2023.[17]

Share in Trade Volumes. In Figure 4a, we plot the 20 recipient countries with the highest share of imports backed by trade financing from abroad, all of which are developing economies. The magnitudes are striking. For example, in Angola, Cuba, Ethiopia, and Sudan, more than 50% of imports are backed by trade financing.

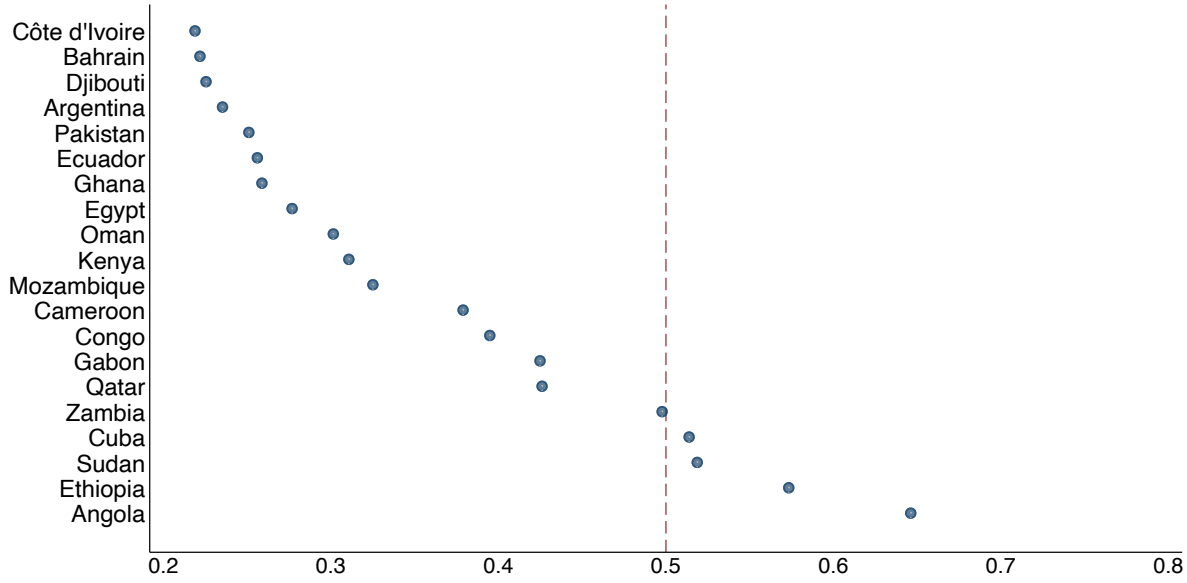
Figure 4b computes the ratio of ECA credits to imports by income groups. Two facts are noteworthy. First, total trade financing (ST + MLT) accounts for a large fraction of imports across all parts of the income distribution, from 16% for low-income countries to 10% for high income countries. Second, this overall importance for *total* trade financing masks substantial variation in its *composition*. While ST financing accounts for the majority of trade financing for high-income countries, its importance declines with the level of income, and is limited for low-income countries. Even for upper-middle income countries, MLT financing (that is mostly supplied by ECAs) continues to account for more than half of total trade financing. These patterns imply that a large share of trade to low and middle income countries would simply not happen in the absence of the explicit backing or guarantees by foreign governments.

Share in external debt. Figure 5 shows the importance of trade financing relative to external debt from Müller, Xu, Lehbib and Chen (2025), which uses the measure from the Bank for International Settlements. The BIS external debt measure is drawn from the BIS International Banking Statistics and captures cross-border claims by internationally active banks, covering both loans and debt securities held by foreign creditors. It includes both private and government credits. This measure is standard in the international finance literature to capture a country's stock of foreign debt (e.g., Bruno and Shin, 2015; Cetorelli and Goldberg, 2012; Horn, Reinhart and Trebesch, 2021*a*). Ra-

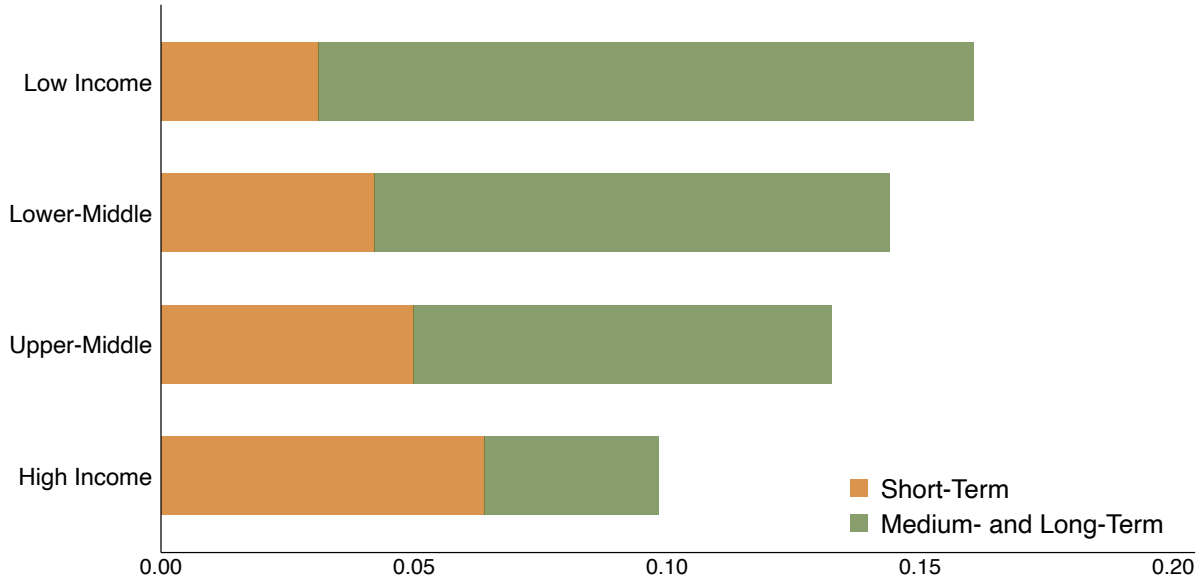
[17] We begin in 2005 because this is when the Berne Union data first become available in the JEDH.

FIGURE 4: **Share of Imports Backed by Export Credit**

(A) Top Recipients



(B) Income Group Recipients by Maturity



Note: Panel A plots the 20 recipient countries with the highest ratio of total outstanding trade financing to imports, averaged over the 2015–2023 period. Panel B plots the average ratio of export credits to imports by income group, distinguishing between short-term (pink) and medium- and long-term (blue) maturities. The data on trade finance exposures are from the Joint External Debt Hub (JEDH), while import data are from the Global Macro Database (Müller, Xu, Lehbib and Chen, 2025). Income groups are classified using World Bank data. See Appendix A for more details on data construction.

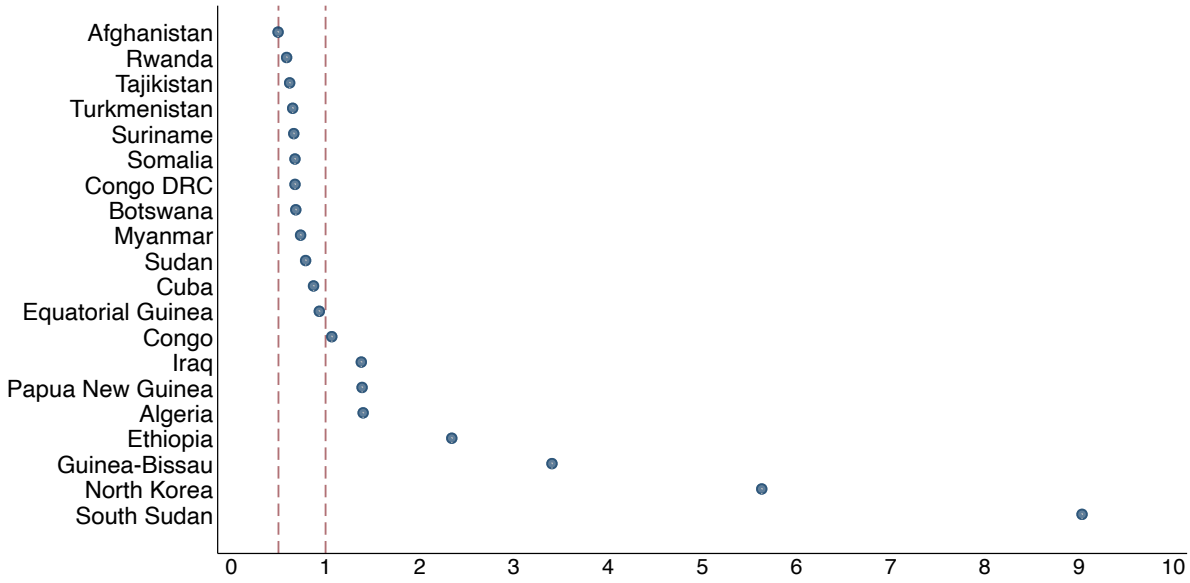
tios of trade financing to external debt can exceed 100% because trade financing is systematically excluded from all measures of external debt.

Figure 5a shows the 20 countries with the highest ratio of trade financing to external debt, and as in Figure 4a, all are developing countries. For Algeria, Congo, Ethiopia, Guinea-Bissau, Iraq, North Korea, Papua New Guinea, and South Sudan, trade financing exceeds total reported external debt. For Botswana, Congo DRC, Cuba, Equatorial Guinea, Myanmar, Rwanda, Somalia, Sudan, Suriname, Tajikistan, and Turkmenistan, it exceeds 50%, while even for the bottom five countries (Algeria, Ethiopia, Guinea-Bissau, North Korea, and South Sudan), the ratio still exceeds 436%.

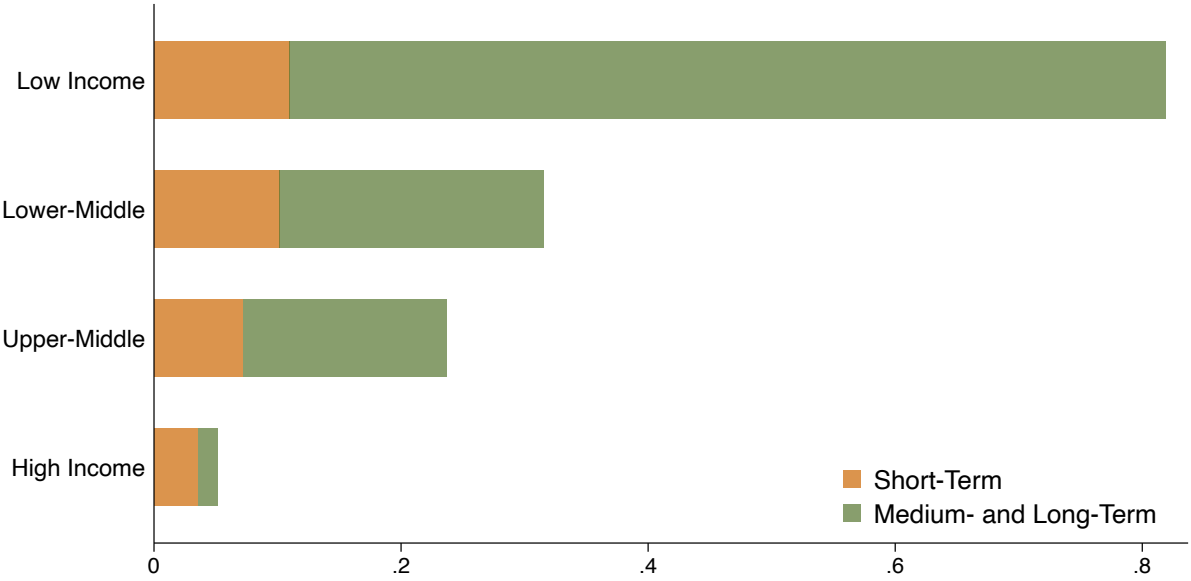
Figure 5b aggregates these patterns by income groups. In low-income countries, 82% of outstanding external debt take the form of trade financing, driven almost entirely by MLT credit. This share declines with income but remains substantial even for middle-income countries. In summary, the vast majority of developing countries' external debt is ultimately dependent on decisions by major creditor governments rather than the private market.

FIGURE 5: **Share of Export Credits over External Debt**

(A) Top Recipients



(B) Income Group Recipients by Maturity



Note: Panel A plots the 20 recipient countries with the highest ratio of total trade financing to cross-border loans, averaged over the 2015–2023 period. Panel B plots the average ratio of export credits to cross-border loans by income group, distinguishing between short-term (pink) and medium- and long-term (blue) maturities. The data on trade finance exposures are from the Joint External Debt Hub (JEDH), and external debt are from the Bank for International Settlements (BIS) Locational Banking Statistics. Income groups are classified using World Bank data. Ratios may exceed one because BIS statistics only cover loans from reporting institutions. See Appendix A for more details on data construction.

4. The Rise of China

4.1 China's Export Credit Expansion

China's ascent as the world's largest export credit provider is commonly associated with the political transformation ushered in by Xi Jinping's election as General Secretary of the Chinese Communist Party in November 2012. Under Xi, Chinese foreign policy underwent a decisive shift away from the "keep a low profile" doctrine inherited from earlier leadership toward a more assertive posture explicitly aimed at restoring China to what Xi views as its historically central role in the international order (Moura, 2025). This ambition was institutionalized through a series of landmark initiatives, most prominently the Belt and Road Initiative launched in late 2013, alongside new multilateral vehicles such as the Asian Infrastructure Investment Bank and the New Development Bank. The BRI in particular has been described as a "top-level design on which President Xi has staked his personal legacy" (Zhao, 2020).

Figure 6, however, offers a first look at the data that complicates this narrative. Chinese ECA flows expanded steadily throughout the mid-2000s and reached a first peak around 2010, already at historically elevated levels well before Xi took office. While ECA activity did rebound under Xi following a brief contraction, the subsequent peak remained broadly in line with the earlier one, with no discernible structural break in total financing volumes attributable to the BRI or the broader reorientation of Chinese foreign policy.

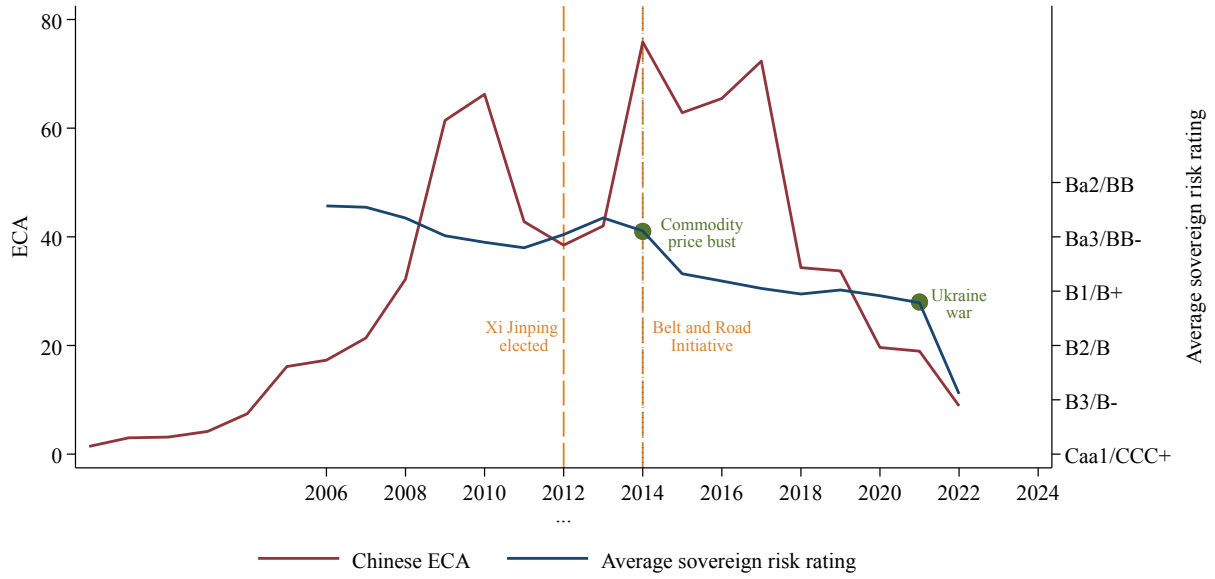
This does not imply that the BRI was inconsequential. As we explore in the next section, the evidence is more consistent with the initiative having reshaped the *allocation* of Chinese export credit across recipient countries and sectors than with having expanded aggregate volumes. The BRI appears to have shaped where China lent more than how much.

A second pattern visible in Figure 6 concerns the relationship between total export credit flows and the average sovereign risk of China's overseas lending portfolio, constructed by **?** as a weighted average of credit ratings from Moody's, Fitch, S&P, the IIR, and the World Bank-IMF LIC DSF.[18] **?** show that the trajectory of aggregate Chinese overseas lending is closely tied to the creditworthiness of its borrowers: the boom years coincided with a deterioration in portfolio quality, and the subsequent bust was in large part a response to rising default risk across recipient countries. One might therefore expect a similar pattern to emerge for export credit flows specifically. The data, however, tell a more qualified story. Outside of two specific episodes, the correlation between ECA volumes and portfolio sovereign risk is limited. The clearest exception is the commodity price bust of 2014–2015, which triggered broad credit rating downgrades among China's borrowers and coincided with a contraction in export credits. The other is the sharp simultaneous drop in both series following Russia's invasion of Ukraine in 2022. Beyond these two episodes, the volume of credit supported by ECAs and credit quality evolve with considerable indepen-

[18] We thank Sebastian Horn for sharing the data with us.

dence, suggesting that Chinese export credit is driven by factors that are strategic, commercial, and diplomatic, and that do not map cleanly onto the aggregate risk profile of recipient countries.

FIGURE 6: China ECA and Sovereign Risk of China's Lending Portfolio



Notes: Data on sovereign risk of China's lending portfolio are from **?**. The credit risk rating is an average across ratings from Moody's, Fitch, S&P, the Institutional Investor Rating (IIR), and the World Bank-IMF LIC DSF rating. The average rating of China's overseas is obtained by weighting ratings with estimated outstanding debt claims.

4.2 China's Export Credit Allocation

We now study the allocation of Chinese ECA across countries. Unlike previous work constrained to analyzing China's allocation in isolation (Horn, Reinhart and Trebesch, 2025*b*), we are able to contrast China's strategy with that of Western countries.[19] To compare differences and similarities in investment patterns, we aggregate total ECA flows across all donor countries over the period 2000–2020.

An investment strategy markedly different from OECD countries. The most notable aspect about Chinese ECAs is that, despite a level of investment similar to—if not higher than—the total of Western countries, China's allocation differs substantially along two dimensions.

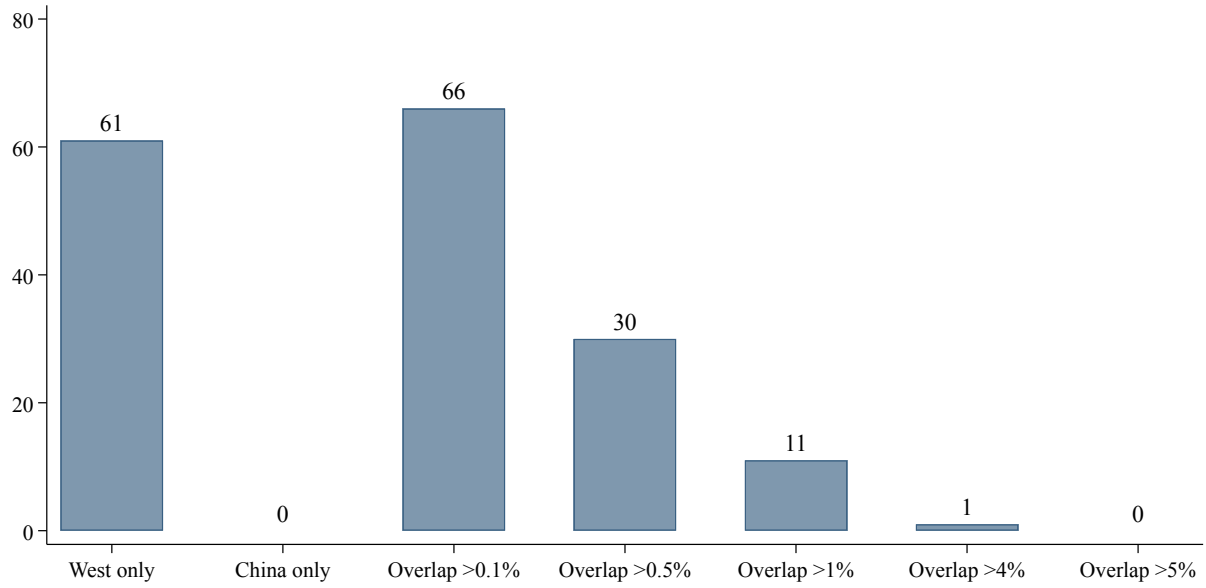
First, as shown in Figure 7, Chinese investment is far more concentrated than Western investment. Of the 181 countries for which we observe at least one bilateral ECA flow during the period, 61 received some support from Western ECAs but none from China. By contrast, every country that received Chinese ECA support also received support from at least one Western ECA.

[19]The list of countries we consider is the OECD with the exception of Turkey: Australia, Austria, Belgium, Canada, Czechia, Denmark, Finland, France, Germany, Greece, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Slovenia, Spain, Sweden, Switzerland, United Kingdom, and United States .

Second, even among countries where both creditors are active, the share each recipient accounts for in the creditor's total portfolio differs substantially. While 66 countries receive at least a 0.1% portfolio share from both creditors, this number falls sharply to 30 at the 0.5% threshold and 11 at 1%. Above 4%, overlap is essentially absent (1 country), indicating that countries commanding a large share of both creditors' portfolios simultaneously are virtually nonexistent. This pattern suggests that while Western and Chinese ECAs broadly compete for the same universe of recipients, their financing is concentrated in distinct country groups.

In Appendix Figures E.2, E.3, and E.1, we systematically test the correlation in investment patterns by regressing Western ECA allocation on Chinese ECA allocation, where ECA investment is measured as ECA scaled by the recipient country's total external debt (Figure E.2), ECA scaled by the recipient's exports to the donor country (Figure E.3), or the share of the recipient country in the donor's total ECA portfolio (Figure E.1). The R^2 is low across all specifications, typically around 10%.[20]

FIGURE 7: **Overlap in ECA Investment Portfolios**



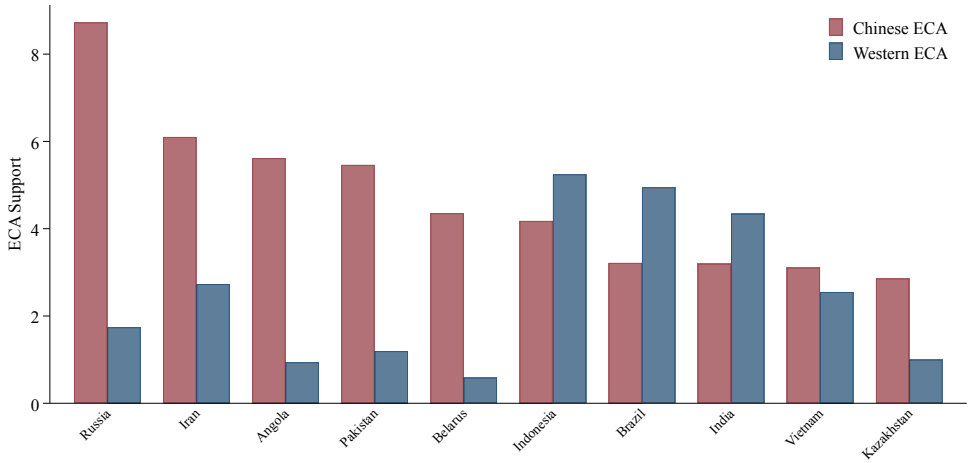
Notes: Each bar reports the number of recipient countries satisfying the indicated overlap criterion, computed over the period 2000–2020. For each recipient country, we compute the share of total Western ECA commitments allocated to that country (s^{ECA}_{West}) and the analogous share for Chinese ECA commitments (s^{ECA}_{China}). "West only" counts countries with $s^{ECA}_{West} > 0$ and $s^{ECA}_{China} = 0$; "China only" counts the reverse. "Overlap $> x$%" counts countries where both $s^{ECA}_{West} \geq x$ and $s^{ECA}_{China} \geq x$. Western ECAs include all OECD Arrangement members excluding Turkey. Chinese ECA flows are from AidData. ECA commitments are aggregated over the full period.

The limited role of the BRI. Announced in 2013, the Belt and Road Initiative (BRI) represents an explicit integration of export credit policy with broader strategic objectives. Officially described as promoting infrastructure connectivity and economic cooperation across Asia, Europe, and Africa, the initiative has channeled hundreds of billions of dollars in Chinese financing to developing

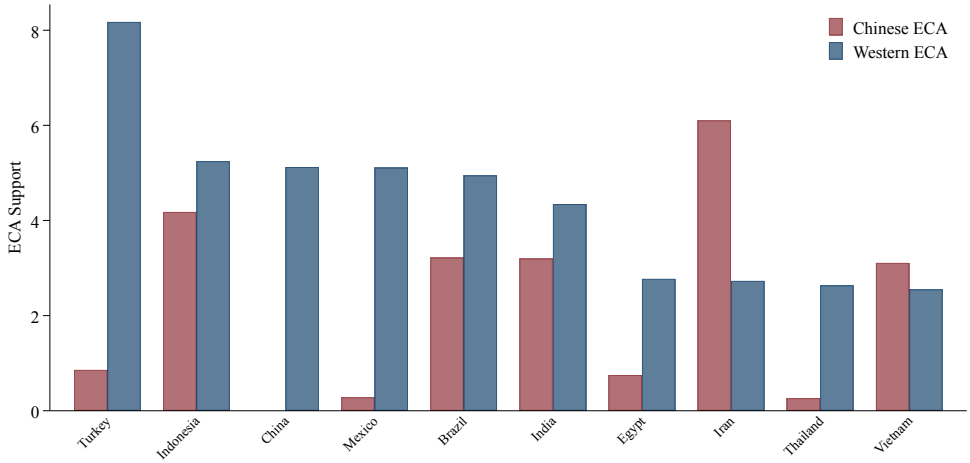
[20]The only exception is when ECA allocation is measured as ECA over creditor external debt. However, this is entirely driven by a single outlier (Marshall Islands). Dropping this country reduces the R^2 to 1.5%.

FIGURE 8: **Top 10 Recipients by ECA Portfolio Share**

(A) Top 10 recipients of Chinese ECA



(B) Top 10 recipients of Western ECA



Notes: Each panel displays the top 10 recipient countries ranked by ECA portfolio share, restricted to countries that receive positive ECA support from *both* Western and Chinese ECAs over the period 2000–2020 ($s^{ECA}_{West} > 0$ and $s^{ECA}_{China} > 0$). For each recipient country, s^{ECA}_{West} (resp. s^{ECA}_{China}) denotes the share of total Western (resp. Chinese) ECA commitments allocated to that country, aggregated over the period. Panel (a) ranks countries by s^{ECA}_{China}; Panel (b) ranks countries by s^{ECA}_{West}. In each panel, both the Chinese ECA share (maroon) and Western ECA share (navy) are shown for each country. Western ECAs include all OECD Arrangement members excluding Turkey.

countries. While BRI encompasses various forms of official financing—including concessional loans, grants, and direct investment—export credits provided or guaranteed by China EXIM Bank constitute a substantial component of these flows. These credits typically finance infrastructure projects such as ports, railways, power plants, and telecommunications networks that use Chinese equipment, technology, and often Chinese construction firms and labor.

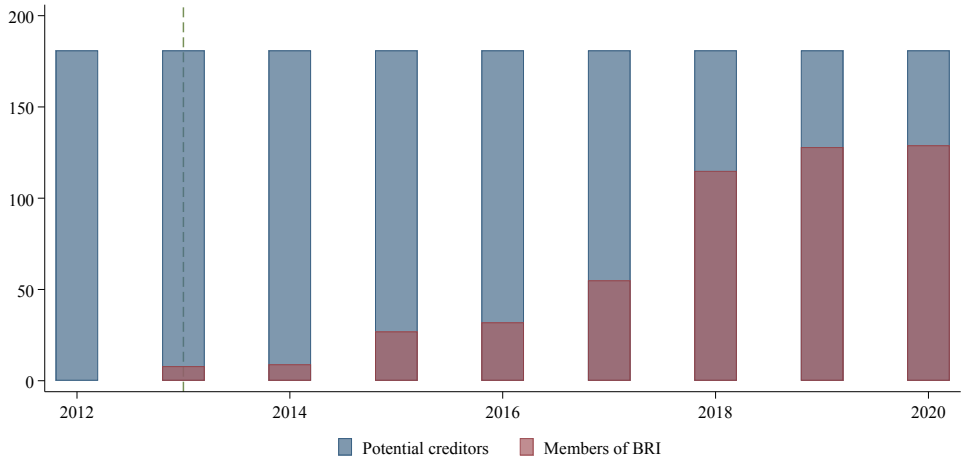
Initially, only eight countries signed a Memorandum of Understanding (MoU) with China to participate in the BRI, followed by an additional 19 over the next two years, for a total of 145 countries by 2025. Only two countries have exited: Italy in 2023 and Panama in 2025 Nedopil ([see 2025). Figure 9a plots the number of recipient countries in our Western ECA working sample alongside the subset that are BRI members. By 2020, roughly 80% of recipient countries had signed an MoU.

To assess the extent to which the BRI genuinely reshaped the allocation of Chinese ECA—as opposed to becoming a default diplomatic framework applied to countries that were already receiving financing—Figure 9b plots the share of Chinese ECA flowing to BRI versus non-BRI countries over time, classifying the 27 countries that had signed an MoU by 2015 as BRI members throughout the pre-2015 period.[21] We find no discernible increase in the share of Chinese ECA directed toward BRI countries around the initiative's official launch. Instead, the data suggest that BRI membership progressively expanded to cover countries that were already receiving Chinese ECA financing, rather than directing new flows toward a targeted set of strategic recipients.

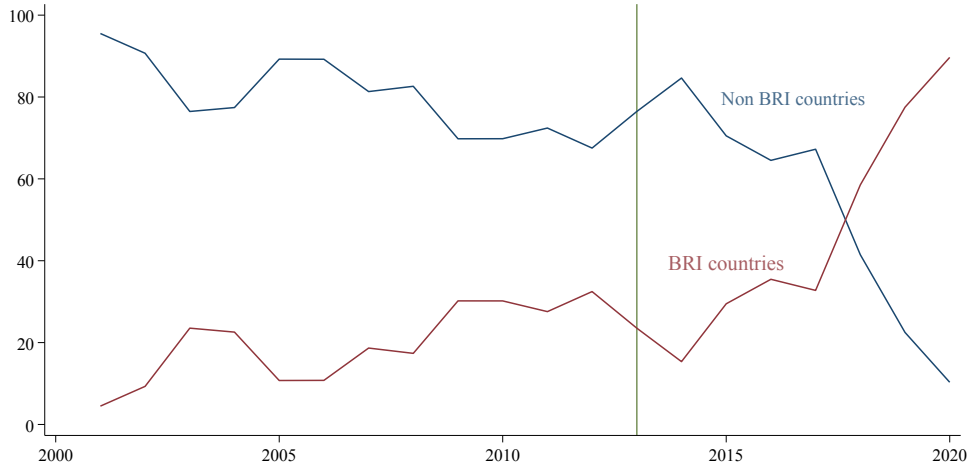
[21]Specifically, the BRI members in Belarus, Cambodia, China P.R., Kyrgyz Republic, Moldova, Mongolia, North Macedonia, and Pakistan signed in 2013, Thailand in 2014, and Armenia, Azerbaijan, Bulgaria, Cameroon, Comoros, Czech Republic, Hungary, Indonesia, Iraq, Kazakhstan, Poland, Romania, Serbia, Slovak Republic, Somalia, South Africa, Turkey, and Uzbekistan in 2015.

FIGURE 9: **Export Credit Allocation and the BRI**

(A) Share of recipient countries that are BRI members



(B) Share of Chinese ECA portfolio going to BRI countries



Notes: BRI membership is time-varying: a country is classified as BRI from the year it signed its Memorandum of Understanding (MoU) with China, with membership dates from Nedopil (2025). Countries that had joined the BRI by 2015 are classified as BRI members for the entire pre-2015 period. The vertical line marks 2013, the year the BRI was officially launched. *Panel (a)* plots, for each year over 2012–2020, the total number of recipient countries in the Western ECA working sample (navy) and the subset that are BRI members (maroon); Western ECAs include all OECD Arrangement members excluding Turkey. *Panel (b)* plots the share of Chinese ECA commitments allocated to BRI versus non-BRI recipient countries over 2000–2020, smoothed using a 2-year rolling average, where shares are computed as each group's total ECA receipts as a percentage of total Chinese ECA commitments in a given year.

5. The Geopolitics of Global Export Credits

The evidence presented thus far indicates that ECA-backed export credits constitute a substantial component of global financial flows, with particular importance for developing economies. In addition, China has emerged as the dominant creditor, surpassing all OECD countries combined. These patterns raise a natural question: to what extent do geopolitical considerations, rather than purely economic or risk-based factors, drive the global allocation of export credit financing?

In this section, we provide systematic empirical evidence on the role of geopolitical factors in export credit allocation. We first examine the relationship between geopolitical alignment, measured using UN voting similarity, and ECA flows across creditor-recipient pairs. We then ask whether this relationship has intensified over time, producing growing economic fragmentation along geopolitical lines. Finally, we use rotation onto the UN Security Council to provide causal evidence that geopolitical considerations shape export credit allocation.

5.1 Data

5.1.1 New Measures of Bilateral Export Credit Flows

Ideally, we would like to directly observe a complete bilateral panel of annual export credits from creditor to recipient countries. However, the OECD does not publicly release such information. Their Development Assistance Committee (DAC) dataset only contains aggregate data at the creditor-to-recipient country group or creditor group-to-recipient country level. Their Creditor Reporting System (CRS) database provides bilateral information but excludes export credits.[22]

We address this data limitation by using the accounting structure of OECD reporting to construct bilateral export credit flows. Specifically, we combine information from multiple OECD datasets and apply accounting identities to recover the bilateral flows. Because the DAC data on total official flows is bilateral and *includes* export credits, while the CRS data is bilateral and *excludes* them, the difference between these two data sources identifies the bilateral flows of officially-supported export credits for each creditor-recipient country pair. We provide detailed documentation of this procedure and validate our approach in Appendix B.[23]

5.1.2 Political Alignment

To measure geopolitical relations, we use data on voting records in the United Nations General Assembly (UNGA). Voeten, Strezhnev and Bailey (2009) compile roll-call votes from the UNGA

[22] The OECD did not respond to our requests for access to their underlying bilateral export credit data.

[23] Our approach involves some (immaterial) approximations because the underlying datasets are not compiled in a perfectly consistent manner. As a result, Figure B.1 shows that our estimated bilateral export credit series does not sum exactly to the aggregate export credit flows reported at the creditor group-recipient or creditor-recipient group level in the DAC data. However, Figure B.2 shows that when we aggregate the estimated export credit flows to the recipient or creditor level, the values are highly correlated with the corresponding totals reported in the OECD's DAC database.

sessions 1 through 78, spanning the years 1946 to 2023. This dataset provides a comprehensive record of voting behavior, encompassing the majority of votes that typically occur during the fall sessions, as well as an increasing number of votes held in the spring in recent years. The overlap in voting behaviors allows us to construct bilateral measures of geopolitical alignment that are commonly used in the literature on geoeconomics (e.g., Kleinman, Liu and Redding, 2024; Gopinath, Gourinchas, Presbitero and Topalova, 2025). Higher values of UN voting similarity scores indicate closer geopolitical proximity. For more details, see Appendix A.

5.2 Political Alignment and Export Credit Allocation

We begin by relating geopolitical considerations to the allocation of export credits. To estimate the role of geopolitical motives in export credit flows, we estimate regressions of the following form:

$$ECA\ financing_{o,d,t} = \beta\ Geopolitical\ Alignment_{o,d,t-1} + \mathbb{X}_{o,d,t} + \alpha_{o,d} + \delta_t + \epsilon_{o,d,t} \tag{1}$$

in which $ECA\ financing_{o,d,t}$ is the (log) value of ECA financing originating from creditor country o to recipient destination country d in time t. $Geopolitical\ Alignment_{o,d,t-1}$ is the UN voting similarity index, where higher values imply stronger alignment. To ease interpretation, we standardize the variables such that β can be directly interpreted as the implied magnitude of a one standard deviation change in geopolitical alignment. As before, we control for predicted trade flows from a gravity model. Standard errors are clustered at the country-pair level.

In our most demanding specification, we include country-pair fixed effects, which absorb any time-invariant unobserved characteristics between creditors and recipients (for instance, their geographical distance or average level of trade flows). However, it is still possible that unobserved shocks might simultaneously cause creditor–recipient pairs to become more geopolitically aligned and to exchange more ECA financing, making it difficult to interpret a positive β coefficient as causal. We therefore also construct a predicted bilateral geopolitical alignment measure using a "leave-one-out" methodology.

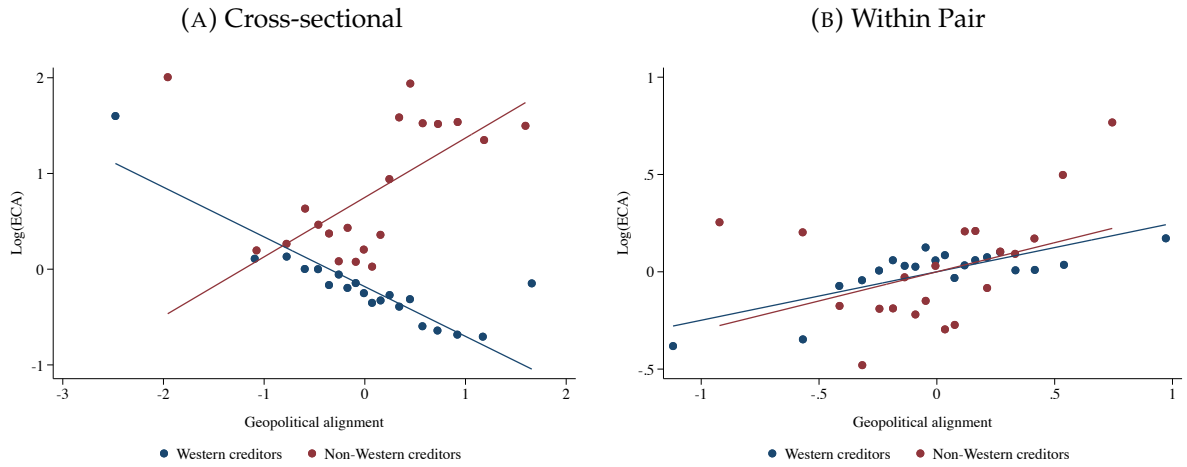
In this alternative empirical setup, we measure geopolitical alignment between countries o and d by taking the average geopolitical alignment between o and all countries k that share the same income group and geographic region as the focal recipient country d. Importantly, while k captures countries similar to the focal country d, it does not include the country d itself. We use World Bank definitions of income groups and partition countries into four brackets: high, upper middle, lower middle, and low income. Geographic regions include East Asia and Pacific, Europe and Central Asia, Latin America and Caribbean, Middle East and North Africa, North America, South Asia, and Sub-Saharan Africa.[24]

[24]To ease comparability with the original measure of $Geopolitical\ Alignment_{o,d,t-1}$, we rescale this predicted measure by the coefficient from a regression of $Geopolitical\ Alignment_{o,d,t-1}$ on $Geopolitical\ Alignment_{(o,k\neq d,t-1)}$.

5.2.1 Cross-sectional patterns: Divergent creditor strategies

A key insight from the UN voting data is that countries differ systematically in their geopolitical positioning relative to a U.S.-led order. The UN Voting Dataset includes a time-varying, one-dimensional measure referred to as "ideal points" that captures each country's preference position. Bailey, Strezhnev and Voeten (2017) demonstrate that these ideal points consistently reflect the position of states relative to the U.S. When we compute the average of this measure at the creditor level, we find that countries at the bottom of the distribution with ideal point score below 1.1—those most distant from U.S. and EU positions—include China, India, Kuwait, Qatar, Saudi Arabia, Turkey, and the United Arab Emirates.

FIGURE 10: ECA Funding and Geopolitical Alignment



Notes: This figure shows the relationship between bilateral geopolitical alignment and ECA financing from creditor o to recipient d over 1962–2022. Panel (a) plots the unconditional relationship. Panel (b) residualizes both variables with respect to creditor–recipient fixed effects, illustrating how geopolitical alignment relates to ECA financing *within* country pairs over time. The binscatter is based on estimates from: $\textit{ECA financing}_{o,d,t} = \beta\, \textit{Geopolitical Alignment}_{o,d,t-1} + \widehat{Trade}_{o,d,t} + \delta_t + \epsilon_{o,d,t}$. $\widehat{Trade}_{(o,d,t-1)}$ is the predicted yearly trade flow between origin country o and destination country d using the gravity dataset from Martin, Mayer and Thoenig (2008). ECA suppliers are split between "Western" and "non-Western," where "Western" countries are the ones with a UN ideal point score that reflect countries sharing positions close to a U.S.-led liberal order (Bailey et al., 2017). "Non-Western" countries include China, India, Kuwait, Qatar, Saudi Arabia, Turkey and United Arab Emirates.

We split creditors into a "Western" group aligned with the U.S. and E.U., and a "non-Western" group of more geopolitically distant countries. Because geopolitical alignment is a slow-moving variable that mostly reflects historical cross-sectional differences, we first estimate the regression including only time fixed effects such that the results primarily reflect cross-sectional variation.

Figure 10a shows the binscatter plots correlating ECA flows with geopolitical alignment between creditor and recipient countries where we split the flows by Western and non-Western creditor countries in blue and red, respectively. The upward-sloping relationship for non-Western creditors shows that they support more geopolitically aligned recipient countries, a clear pattern of "friend-funding." In contrast, Western creditors display the opposite pattern: less-geopolitically aligned countries receive more financing.

This negative relationship is particularly striking because it holds after controlling for pre-

dicted trade flows that reflect contractual and financing frictions between each country pair. The pattern cannot be explained by Western ECAs simply financing trade wherever it occurs due to comparative advantage or proximity along gravity lines. Instead, it suggests that Western creditors use ECA financing strategically, either to pull geopolitically distant countries closer or to maintain economic ties despite political differences.

Table 1 presents these results in a regression framework, showing that the patterns discussed above are statistically significant at the 1% level. Column 1 shows the relationship for Western creditors (negative and significant with coefficient of -0.57) and column 3 shows the result for non-Western creditors (positive and significant with coefficient of 1.31).

5.2.2 Dynamics over time: Rewarding alignment

While most variation in geopolitical distance is cross-sectional, geopolitical alignment within country pairs does vary over time.[25] In our second analysis, we re-estimate the regression including country-pair fixed effects and to study the dynamics of ECA financing within a given creditor-recipient pair.

Figure 10b shows the binscatter plots estimated with creditor-recipient country pair fixed effects for both groups of countries. In this specification, we find that both types of creditors behave similarly, and overall quite differently from the cross-sectional pattern for Western creditors. While non-Western creditors continue to reward their friends as they move closer geopolitically, Western creditors now also display "friend-funding" behavior when recipient countries become more aligned over time.

In our third exercise, we specifically analyze the dynamics of within-pair financing over time with local projections of the following form:

$$log(ECA_{o,d,t+h}) - log(ECA_{o,d,t}) = \beta^h \, \Delta Geopolitical\ Alignment_{o,d,t} + \mathbb{X}_{o,d,t} + \alpha_{o,d} + \delta_{d,t} + \epsilon_{o,d,t} \tag{2}$$

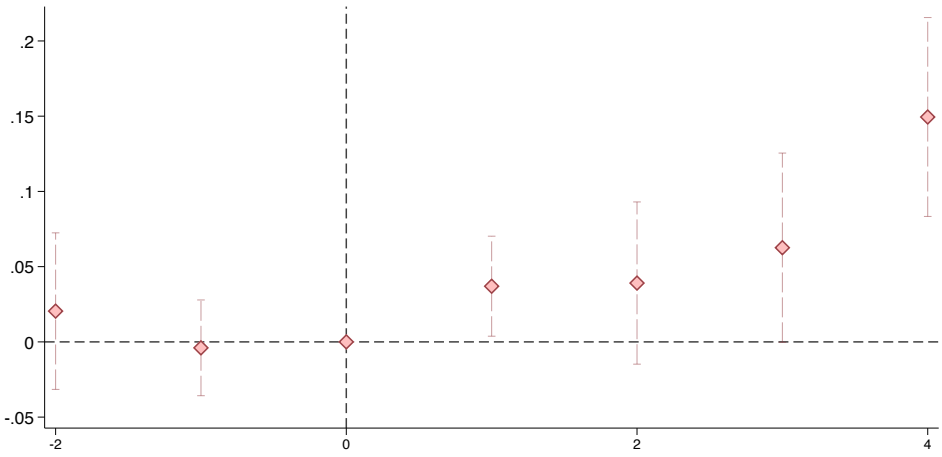
where $\Delta Geopolitical\ Alignment_{o,d,t}$ is the first difference between $Geopolitical\ Alignment_{o,d,t}$ and $Geopolitical\ Alignment_{o,d,t-2}$. This specification allows us to study the evolution of ECA financing at different horizons h after a change in geopolitical alignment. Importantly, it also allows us to test for parallel pre-trends by estimating the regression for $h \in [-2, ..., -1]$.

Figure 11 plots the estimated coefficients β^h with 95% confidence intervals at different horizons h. Two facts are noteworthy. First, our estimates show that prior to changes in geopolitical alignment, country pairs exhibit the same patterns of ECA financing as the coefficients at negative horizons are statistically indistinguishable from zero. This lack of pre-trends indicates that geopolitical alignment is not responding to ex-ante changes in ECA financing, which supports a causal

[25] A variance decomposition of $Geopolitical\ Alignment_{o,d,t}$ into a within and between country-pair shows that the between component is two to three times bigger.

interpretation of this relationship.

FIGURE 11: ECAs and Geopolitical Alignment: Dynamics



Notes: This figure plots the dynamic response of ECA financing to changes in bilateral geopolitical alignment over 1962–2022. The coefficients are obtained from local projections of the form: $log(ECA_{o,d,t+h}) - log(ECA_{o,d,t}) = \beta^h \, \Delta Geopolitical\ Alignment_{o,d,t} + \mathbb{X}_{o,d,t} + \alpha_{o,d} + \delta_{d,t} + \epsilon_{o,d,t}$, estimated for horizons $h \in [-2, .., +4]$.. We report the 95% confidence intervals for the responses. Standard errors are clustered by country pairs, and ECA is the cumulative amount of ECA financing up to t.

Second, our results show that creditor countries progressively increase their ECA financing after recipient countries begin to align more closely with the creditor's geopolitical positions. The effect builds gradually over time, with increases emerging one to two years after the alignment shift and growing larger at longer horizons. This pattern is consistent with the results so far in that ECA financing is partially used as a tool to reward and reinforce closer geopolitical relationships.

Table 1 reports the results in regression form with columns 2 and 4 showing the results for Western and non-Western creditors, respectively. In both cases, the within-pair relationship is positive and significant. Column 5 pools all creditors together and shows the overall effect in the combined sample (coefficient of 0.25).

In columns 6–8, we use the predicted measures of geopolitical alignment, which are more robust to concerns about unobserved country-pair shocks. Not only does the relationship between geopolitical alignment and ECA financing remain positive and statistically significant at the 1% level (column 6, coefficient of 0.30), but also the economic magnitude is almost identical to the baseline estimates. This similarity suggests that the baseline results are not driven by bilateral shocks that simultaneously affect both alignment and ECA flows, but rather reflect systematic creditor responses to recipient countries' geopolitical positioning.

In columns 7–8, we additionally test whether the amount of ECA provided by creditor countries is affected by the *stability* of the recipient's position vis-à-vis the country creditor. To do so, we compute the variance of $\overline{Geopolitical\ alignment}_{(o,k\neq d,t-1)}$ using a five-year rolling window and include this variance in the regression. We find a negative coefficient, indicating that creditor countries increase funding to potential recipient countries that consistently move closer to their

geopolitical positions but reduce funding to recipient countries whose positions are more volatile. While the coefficient is not statistically significant at conventional levels when we estimate the effect linearly (column 7), we find a strong effect with a non-parametric approach using an indicator for the top tercile of the variance distribution (column 8).

In Appendix Table E.1, we reproduce the results focusing on just the extensive margin. First, we find that the likelihood of supplying any ECA financing unconditionally increases with geopolitical alignment. Second, with the full set of controls, we find effects in the same direction, although with much smaller magnitudes.

TABLE 1: ECAs and Geopolitical Alignment

Dependent variable	$\text{Log}(\text{ECA}_{o,d,t})$							
Sample	Western creditors		Non-western creditors		All			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
$\text{Geopolitical alignment}_{(o,d,t-1)}$	-0.57***	0.25***	1.31***	0.60***	0.25***			
	(0.044)	(0.034)	(0.17)	(0.18)	(0.033)			
$\overline{\text{Geopolitical alignment}}_{(o,k-d,t-1)}$						0.30***	0.29***	0.28***
						(0.068)	(0.069)	(0.068)
$\text{Var}[\overline{\text{Geopolitical alignment}}_{(o,k-d,t-1)}]$							-15.3	
							(17.7)	
$\text{High Var}[\overline{\text{Geopolitical alignment}}_{(o,k-d,t-1)}]$								-0.076**
								(0.036)
Fixed Effects								
Year	✓	✓	✓	✓	✓	✓	✓	✓
$\text{Creditor}_o \times \text{Recipient}_d$	—	✓	—	✓	✓	✓	✓	✓
Controls								
$\text{Log}(\widehat{Trade}_{(o,d,t-1)})$	✓	✓	✓	✓	✓	✓	✓	✓
Observations	77,825	77,825	9,419	9,419	87,244	93,255	93,255	93,255

Notes: This table reports regressions examining the relationship between bilateral geopolitical alignment and ECA financing from creditor o to recipient d during 1962–2022. Columns 2 and 4 report separate estimates for Western and non-Western creditors. Column 5 pools all creditors and presents the combined effect. Columns 6–8 use predicted geopolitical alignment, which mitigates concerns about unobserved bilateral shocks; the estimated coefficients remain positive and statistically significant, with magnitudes comparable to the baseline results. $\overline{Geopolitical\ alignment}_{(o,k-d,t-1)}$ denotes the average geopolitical alignment between creditor o and countries k that share the recipient's income group and geographic region (excluding d). $\text{Var}[\overline{Geopolitical\ alignment}_{(o,k-d,t-1)}]$ is the five-year rolling variance of this measure. *High Var*$[\overline{Geopolitical\ alignment}_{(o,k-d,t-1)}]$ is an indicator equal to one when the variance lies in the top tercile of the sample distribution. ECA suppliers are split between "Western" and "non-Western," where "Western" countries are the ones with a UN ideal point score that reflect countries sharing positions close to a U.S.-led liberal order (Bailey et al., 2017)). "Non-Western" countries are: China, India, Kuwait, Qatar, Saudi Arabia, Turkey and United Arab Emirates. "Western" countries are: Australia, Austria, Belgium, Canada, Czechia, Denmark, Finland, France, Germany, Greence, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Slovenia, Spain, Switzerland, United Kingdom and the United States. Standard errors are clustered at the country pair level and are reported in the line below the point estimate in parenthesis. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

5.2.3 Interpretation

Taken together, these results provide strong evidence that geopolitical considerations substantially influence export credit allocation. Both Western and non-Western creditors increase ECA financing when recipient countries move closer to their geopolitical positions, consistent with ECAs being used to reward and reinforce alignment. However, the two groups differ in their strategies in allocating credit across countries.

Non-Western creditors consistently favor aligned countries both in the cross-section and over time. This pattern suggests a transactional approach where ECAs serve as explicit rewards for geopolitical friendship. Western creditors display a more nuanced strategy. Cross-sectionally, they provide more ECA financing to countries that are geopolitically distant—potentially using ECAs as carrots to incentivize movement toward Western positions. However, once we condition on the country pair, Western creditors clearly reward countries that demonstrate movement toward their geopolitical orbit by increasing ECA financing. This dynamic response suggests that Western ECAs serve as both an engagement tool with distant countries and a reward mechanism for countries that align more closely over time.

The fact that these relationships persist even when using leave-one-out measures of geopolitical alignment—which by construction cannot be driven by bilateral shocks between the specific creditor-recipient pair—strengthens the causal interpretation. Creditor countries appear to systematically respond to recipient countries' geopolitical positioning when making ECA allocation decisions, not merely to bilateral economic or geopolitical shocks that happen to correlate with alignment measures.

5.3 ECAs and the OECD Arrangement

We next examine the role of the largest multilateral agreement—the OECD Arrangement on Officially Supported Export Credits—on creditor behavior. The Arrangement was established in 1978 as a non-binding "gentlemen's agreement" to govern credit terms and to prevent a race to the bottom in ECA financing. As of 2025, 23 countries have adopted the Arrangement.[26] Major ECAs outside of the OECD Arrangement include China, India, and the Gulf states. Table C.1 provides an overview of which ECAs are part of the Arrangement and the year they joined.

The Arrangement establishes a set of rules for setting the cost of ECA financing. These rules set a minimum risk premium by combining the OECD's assessment of destination country risk along with additional risk factors including the credit rating of the recipient-country firm, the maturity of financing, and any additional insurance associated with the loan. The minimum risk premium is added to the risk-free rate for financing in a given currency, which is based on the government bond rate of the same maturity.

[26] These include Australia, Canada, Japan, Republic of Korea, New Zealand, Norway, Switzerland, Turkey, the United Kingdom, the United States, and the European Union on behalf of its member states.

The OECD sets the creditor country risk classifications according to its Country Risk Assessment Model (CRAM) that produces risk scores ranging from zero (Insignificant Risk) to seven (Very High Risk) for all potential recipient countries. These scores consider factors including payment history, economic and institutional conditions, and governance. The scores are reviewed at least once annually for all countries, and additional meetings are triggered by major changes in a country's risk profile. Historically, there have been four to five meetings annually.

If creditor countries strictly adhere to the OECD Arrangement, higher risk scores will reduce ECA financing flows as the higher mandated risk premia raise the price of financing and make credits less attractive. A key question for understanding when multilateral agreements can discipline industrial policy competition is whether the Arrangement has empirical bite in impacting financial flows, and moreover, whether creditors circumvent this multilateral agreement when geopolitical interests are at stake.

We assess whether the OECD risk score meaningfully affects export credits by estimating regressions of the form:

$$ECA\ financing_{o,d,t} = \beta\ Risk\ score_{d,t-1} + \mathbb{X}_{o,d,t} + \alpha_{o,d} + \delta_{d,t} + \epsilon_{o,d,t} \tag{3}$$

where $ECA\ financing_{o,d,t}$ is the (log) value of ECA financing from creditor (origin) country o to recipient (destination) country d at time t. The variable $Risk\ score_{d,t-1}$ is the lagged value of the OECD's risk classification for recipient country d, where higher values correspond to higher risk. Standard errors are clustered at the country-pair level.

For β to capture the effect of risk classification beyond what natural changes in trade patterns would predict for ECA flows, we would like to control for trade flows between country pairs. However, trade flows are themselves potentially driven by a country's risk and by the amount of ECA financing supplied. As a result, controlling for trade might produce a mechanical downward bias, akin to what Angrist and Pischke (2009) call a "bad control." We therefore use the *predicted* value of trade flows in $\mathbb{X}_{o,d,t}$, which we estimate using a standard gravity model.[27]

Table 2 presents the results. Column 1 shows that higher OECD risk scores predict significantly lower ECA financing flows (coefficient of -0.21, significant at the 1% level) in the full panel containing all countries. In columns 2 and 3, we condition the link between the OECD risk score depending on creditor country group and bilateral geopolitical alignment. In column 2, we interact the creditor country with an indicator $\mathbb{I}(Arrangement)_o$ that takes the value one if it is part of the Arrangement in a given year. We also interact all fixed effects and control variables with this indicator so that we absorb any independent effect of being part of the OECD Arrangement.

[27] Formally, we use the gravity variables assembled by Martin, Mayer and Thoenig (2008), Martin, Mayer and Thoenig (2013), and those available in the GRAVITY datasets from CEPII (Conte, Cotterlaz and Mayer, 2022). For every year, we then estimate the following bilateral trade flow equation: $Trade_{o,d,t} = \beta\mathbb{X}^1_{o,d} + \beta\mathbb{X}^2_{o,d,t}$, where $\mathbb{X}^1_{o,d}$ is a vector of time invariant bilateral characteristics (such as distance) that we allow to take different values of the years, and $\mathbb{X}^2_{o,d,t}$ is a vector of time-varying bilateral measures.

TABLE 2: OECD Risk Scores and Officially-Supported Export Credits

Dependent variable	$\text{Log}(\text{ECA}_{o,d,t})$		
	(1)	(2)	(3)
$\text{Risk score}_{(d,t-1)}$	-0.21***	0.16	-0.30***
	(0.038)	(0.13)	(0.074)
$\text{Risk score}_{(d,t-1)} \times \text{Arrangement}_o$		-0.42***	
		(0.13)	
$\text{Risk score}_{(d,t-1)} \times \text{High geopolitical alignment}_{(o,d,t-1)}$			0.40***
			(0.13)
Fixed Effects			
Year	✓	—	—
$\text{Creditor}_o \times \text{Recipient}_d$	✓	—	—
Controls			
$\text{Log}(\widehat{Trade}_{(o,d,t-1)})$	✓	—	—
Interaction			
$\text{Year} \times \text{Arrangement}_o$	—	✓	—
$\text{Creditor}_o \times \text{Recipient}_d \times \text{Arrangement}_o$	—	✓	—
$\text{Log}(\widehat{Trade}_{(o,d,t-1)}) \times \text{Arrangement}_o$	—	✓	—
$\text{Year} \times \text{High geopolitical alignment}_{o,d,t-1}$	—	—	✓
$\text{Creditor}_o \times \text{Recipient}_d \times \text{High geopolitical alignment}_{o,d,t-1}$	—	—	✓
Observations	38,439	38,439	38,439

Notes: This table reports estimates from regressions of ECA financing from creditor o to recipient d on the lagged OECD risk score of the recipient country. The estimated specification is $\textit{ECA financing}_{o,d,t} = \beta\ \textit{Risk score}_{d,t-1} + \mathbb{X}_{o,d,t} + \alpha_{o,d} + \delta_{d,t} + \epsilon_{o,d,t}$. Column (1) includes the lagged OECD risk score, creditor–recipient fixed effects, year fixed effects, and the log of predicted trade flows. $\widehat{Trade}_{(o,d,t-1)}$ is the predicted yearly trade flow between origin country o and destination country d using the gravity dataset from Martin, Mayer and Thoenig (2008). Column (2) interacts $\textit{Arrangement}_o$ with the variables in column (1). Column (3) interacts the alignment indicator with the variables in column (1). Standard errors are clustered at the country pair level and are reported in the line below the point estimate in parenthesis. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Column 2 illustrates the divergence between Arrangement and non-Arrangement countries. Arrangement countries strongly reduce ECA financing when the OECD risk score increases (the interaction coefficient is -0.42, significant at the 1% level). In contrast, non-Arrangement creditors, whose behavior is captured by the baseline coefficient on $\text{Risk score}_{d,t-1}$, show no statistically significant response (coefficient of 0.16, p = 0.2). If anything, the positive coefficient suggests "crowding in", meaning an increase in financing to destinations where other ECAs have withdrawn due to a higher OECD risk assessment.

The results above are consistent with the OECD Arrangement being binding for member countries. This suggests that multilateral agreements can effectively constrain industrial policy competition, at least to a point. Without such coordination, creditor countries might engage in a

"race to the bottom" in financing terms, leading to inefficiently subsidized lending. The OECD Arrangement mitigates this risk by establishing minimum pricing standards that prevent member countries from undercutting each other.

Importantly, however, this type of multilateral cooperation appears to have limits when geopolitical questions are at stake. Column 3 examines whether the link between ECA flows and the OECD risk score varies with geopolitical alignment between creditor and recipient. To capture bilateral geopolitical relations, we create an indicator variable $\mathbb{I}$ *High geopolitical alignment*$_{o,d,t-1}$ equal to one if the country pair falls in the top tercile of UN voting similarity scores as introduced in Section 5.1.2. We then interact all variables and fixed effects with this indicator.

The results show that the negative link between OECD risk scores and ECA financing applies only to less geopolitically aligned country pairs. For the bottom two terciles of geopolitical alignment, the coefficient on Risk score$_{d,t-1}$ is -0.30 (significant at 1%). However, for the top tercile of geopolitical alignment, the total effect becomes statistically indistinguishable from zero (the sum of the baseline and interaction coefficients is -0.30 + 0.40 = 0.10). When recipients are highly geopolitically aligned, the OECD risk score is thus no longer associated with less ECA financing.

To study the dynamics between a change in OECD risk score and ECA financing, we estimate the following local projections:

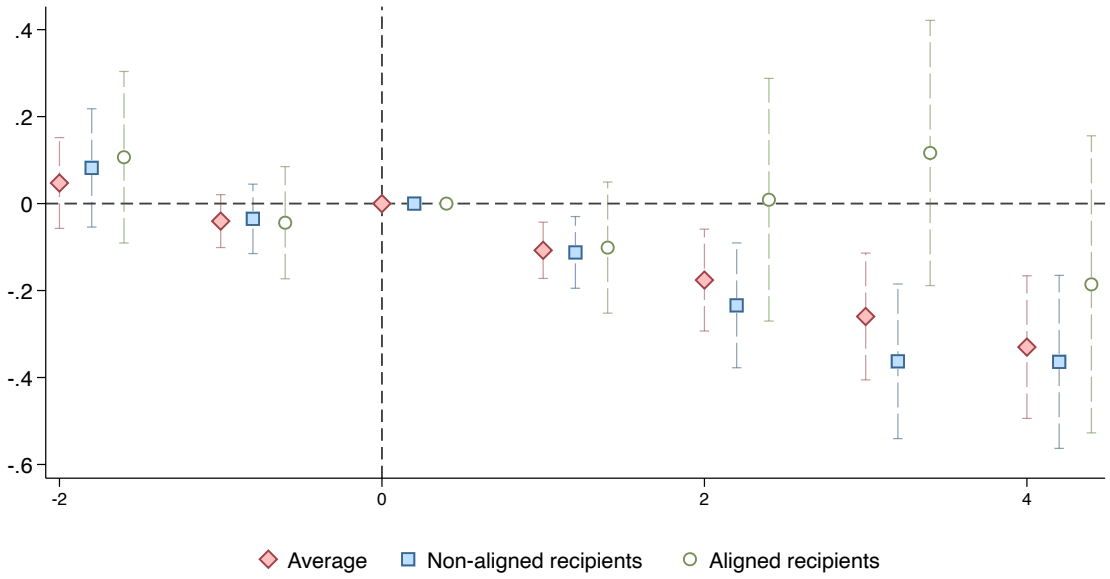
$$log(ECA_{o,d,t+h}) - log(ECA_{o,d,t}) = \beta^h \, \Delta Risk\ Score_{o,d,t} + \mathbb{X}_{o,d,t} + \alpha_{o,d} + \delta_t + \epsilon_{o,d,t} \tag{4}$$

for $h \in [-2, .., +4]$, where $\Delta Risk\ Score_{o,d,t}$ is the first difference between t and $t-2$ and β^h captures the cumulative effect of a change in OECD risk score on ECA financing relative to period t.

Figure 12 shows the results. We report the average effect on the whole sample, as well as the effect for aligned recipients and non-aligned recipients. Two elements of the results are noteworthy. First, the figure shows parallel pre-trends: ECA financing evolves identically across aligned and non-aligned recipients prior to changes in the OECD risk score (periods -2 to 0). This provides support for a causal interpretation of the OECD score's effect on financing decisions.

Second, and most strikingly, the figure shows that the average decline in ECA financing following risk score increases is entirely concentrated among recipients who are not geopolitically aligned with the creditor. For geopolitically-aligned recipients, ECA financing remains stable despite increases in OECD risk scores. This evidence illustrates that even in the context of decades-long multilateral arrangements, geopolitical considerations appear to dominate: when bilateral geopolitical ties are strong, creditors continue financing despite official risk assessments that should otherwise curtail such flows.

FIGURE 12: ECAs, Country Risk Shocks, and Geopolitical Alignment



Notes: This figure shows the relation between bilateral geopolitical alignment and the supply of ECA financing from country o to country d over the period 1962–2022. The coefficients are obtained from estimating the local projection: $log(ECA_{o,d,t+h}) - log(ECA_{o,d,t}) = \beta^h \, \Delta Risk\ Score_{o,d,t} + \mathbb{X}_{o,d,t} + \alpha_{o,d} + \delta_t + \epsilon_{o,d,t}$, for $h \in [-2, .., +4]$. Standard errors are clustered by country pairs and ECA is the cumulative amount of ECA financing up to t.

5.4 Geopolitical Fragmentation in Export Credits

The previous section established that both Western and non-Western creditors reward geopolitical alignment when allocating export credit financing. We now examine whether the share of ECA financing directed to geopolitically aligned countries has increased over time, creating distinct Western and non-Western financing blocs. If ECAs are increasingly used as tools of economic statecraft, we would expect growing concentration of export credit flows toward geopolitically aligned partners, or "geopolitical fragmentation."

To investigate this possibility, we measure the evolution of ECA financing allocation across destination countries over time. Our approach is straightforward: every year, we compute the median value of geopolitical alignment between each creditor and the set of potential recipients using the UN voting similarity score, and create a dummy $\mathbb{I}\ Allies_{o,d,t}$ that takes the value one if the creditor-recipient pair is above the median. We then compute for each creditor the share of ECA financing that the creditor country allocate to ally-recipients vs. not. Formally, we define $Share\ ECA\ Allies_{o,t} = \sum_{d \in o} \mathbb{I}\ Allies_{o,d,t} \times ECA\ financing_{o,d,t}$. An increase in this share over time would indicate growing concentration of ECAs toward geopolitically aligned partners.

Figure 13 plots the average and interquartile range of the distribution in the creditor-year panel for Western and non-Western creditors over time. The figure shows that first, non-Western creditors consistently allocate a much larger share of their ECA financing to close geopolitical allies than Western creditors: 60-80% versus only 30-50% for Western creditors. This gap is consistent

with the cross-sectional finding from the previous section.

FIGURE 13: Geopolitical Alignment and Export Credit Flows Over Time



Notes: This figure plots the share of total ECA financing directed to recipients most closely aligned with each creditor. For each year, creditor–recipient pairs are ranked by their UN voting alignment score, and recipients with scores above the median are classified as "allies." For every creditor–year, we compute the share of ECA financing allocated to allies versus non-allies. The figure reports the creditor-year average and the interquartile range, defined as the first (25th percentile) and third (75th percentile) quartiles of the distribution. ECA suppliers are split between "Western" and "non-Western," where "Western" countries are the ones with a UN ideal point score that reflect countries sharing positions close to a U.S.-led liberal order (Bailey et al., 2017)). "Non-Western" countries are: China, India, Kuwait, Qatar, Saudi Arabia, Turkey and United Arab Emirates. "Western" countries are: Australia, Austria, Belgium, Canada, Czechia, Denmark, Finland, France, Germany, Greece, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Slovenia, Spain, Switzerland, United Kingdom and the United States.

Second, and more importantly for understanding contemporary trends, Western countries are exhibiting a strong upward trend in their fragmentation. During the 1960s and 1970s, Western creditors allocated only 30-40% of their ECA financing to close geopolitical allies, consistent with the cross-sectional evidence that Western ECAs flow substantially to geopolitically distant countries. However, this share has trended upward over the entire sample period, particularly accelerating after 2000. By the late 2010s and early 2020s, Western creditors are directing 50% to 60% of their ECA financing to close allies—a substantial increase from historical levels.

These trends are robust to many additional ways of measuring alliances. Appendix Figure E.4 shows that the same qualitative patterns emerge when we use the top tercile or quartile rather than the top median to define close allies. Similarly, Appendix Figure E.5 shows that using a time-invariant definition of geopolitical alignment (based on average UN voting similarity over the entire sample period) produces similar trends, suggesting the patterns are not driven by short-term fluctuations in voting alignment.

This rising trend for Western creditors is consistent with several institutional developments. The explicit incorporation of geopolitical objectives into ECA mandates, such as the U.S. EXIM Bank's China and Transformational Exports Program (2019) and the modernization of the OECD Arrangement in 2023–2024 to compete with Chinese financing both reflect a shift toward using ECAs for strategic competition. The time-series evidence in Figure 13 suggests this shift began well before these institutional changes, but has accelerated with U.S.-China rivalry.

The evidence of growing geopolitical fragmentation in export credit markets also has important implications. First, it suggests that the cross-sectional differences between Western and non-Western creditors documented in Section 5.2 are not static features of the global ECA landscape, but rather reflect an evolving process. Western creditors are increasingly behaving like non-Western creditors in concentrating their ECA financing on geopolitically aligned partners, even as they maintain some willingness to finance distant countries.

Second, the trend toward greater polarization connects to broader concerns about economic fragmentation documented in recent research (Ahn et al., 2023; Gopinath, Gourinchas, Presbitero and Topalova, 2025). If major economies increasingly direct officially-supported export financing toward their respective geopolitical blocs, this could amplify the fragmentation of global trade and investment flows along geopolitical lines. Unlike trade flows, which are at least partially market-determined, ECAs represent explicit government interventions in cross-border finance. Their growing concentration within geopolitical blocs thus reflects deliberate policy choices that could accelerate the formation of separate economic spheres.

Third, the long time horizon over which this polarization has developed suggests it is not merely a response to recent geopolitical shocks (such as Russia's invasion of Ukraine or U.S.-China competition), but rather reflects a structural trend in how governments use industrial policy internationally. The acceleration in recent years, however, suggests that contemporary tensions are reinforcing a pre-existing pattern.

Finally, the persistent gap between Western and non-Western creditors, even as both converge, highlights enduring differences in their approach to internationally-oriented industrial policy. Non-Western creditors, unconstrained by OECD rules, have consistently used ECAs more explicitly as geopolitical tools. Western creditors, despite movement in that direction, continue to allocate a substantial share of ECA financing outside their geopolitical orbit, reflecting both strategic calculations (using ECAs to engage swing countries) and institutional constraints (OECD rules and domestic scrutiny).

5.5 Evidence from UN Security Council Elections

The evidence presented thus far demonstrates a robust relationship between geopolitical alignment and ECA financing. However, concerns about omitted variables remain. To establish a causal effect of geopolitical considerations on export credit allocation, we use variation generated

by elections to the United Nations Security Council (UNSC). While the UNSC has five permanent members—China, France, Russia, the United Kingdom, and the United States—ten additional seats rotate among other countries for two-year terms. These rotating seats are allocated across geographic regions, with elections typically held the year before a country joins the Council. The timing of when specific countries within a region are elected involves considerable quasi-random variation, as it depends on intra-regional geopolitical dynamics, strategic considerations about which countries should represent the region at particular moments, and implicit rotation agreements that are imperfectly enforced.

Crucially for our purposes, temporary UNSC membership substantially increases a country's geopolitical value to the permanent members. The UNSC is the only UN body with the authority to make binding decisions on matters of international peace and security, including authorizing military interventions, imposing sanctions, and deploying peacekeeping operations. Each of the five permanent members holds veto power, but securing the nine affirmative votes required to pass substantive resolutions often requires courting the support of rotating members. Temporary members thus gain leverage that permanent members may seek to influence through various means, including economic inducements.

A substantial literature has documented that temporary UNSC membership affects various forms of support from permanent members. Countries receive more foreign aid during their tenure on the Council (Kuziemko and Werker, 2006) and experience increased lending from the World Bank and IMF (Dreher, Sturm and Vreeland, 2009). These findings suggest that permanent members use economic tools to cultivate the support of temporary members on diplomatically sensitive votes. If export credits serve as instruments of geopolitical influence—as the evidence in Section 5.2 suggests—we would expect permanent members to increase their ECA financing to countries during their UNSC tenure.

5.5.1 Empirical Strategy

We use variation in UNSC membership in a triple difference-in-differences event study design. For each UNSC election between 2004 and 2017, we construct a sample that includes each creditor-recipient pair for the four years before and after the election. We then stack these samples across elections, creating a panel dataset where each observation represents a creditor-recipient-election-year combination.

We choose this sample period for pragmatic reasons: ECA financing data for China—now the world's largest ECA provider—begins in 2000, so starting with 2004 elections ensures we have information for the four pre-election years for all permanent UNSC members. Ending with 2017 elections ensures we can observe outcomes for four years post-election through 2021.

We estimate the following specification:

$$\begin{aligned}\log(\text{ECA}_{o,d,e,t}) = &\sum_{h=-4}^{+4} \beta_h \mathbb{1}[\text{Permanent Member}_o] \times \mathbb{1}[\text{Elected}_{d,e}] \times \mathbb{1}[t = e + h] \\ &+ \text{Trade}_{o,d,e,t} + \alpha_{o,d,e} + \delta_{e,t} \times \mathbb{1}[\text{Permanent Member}_o] \\ &+ \delta_{e,t} \times \mathbb{1}[\text{Elected}_d] + \epsilon_{o,d,e,t} \end{aligned} \tag{5}$$

where $\text{ECA}_{o,d,e,t}$ is the amount of ECA financing from creditor o to recipient d in year t relative to election e. The variable *Permanent Member*$_o$ is an indicator equal to one if the creditor is one of the five permanent UNSC members (China, France, Russia, the United Kingdom, or the United States). The variable *Elected*$_{d,e}$ is an indicator equal to one if recipient country d was elected to the UNSC in election e. The event time indicators $\mathbb{1}[t = e + h]$ capture years relative to the election, with $h = 0$ denoting the year of the election itself.

The key coefficients of interest are β_h, which capture the differential change in ECA financing from permanent members to elected countries at each event time h, relative to the change in ECA financing from non-permanent member creditors to elected countries. The specification thus implements a triple difference: we compare (1) before versus after election, (2) ECA financing from permanent members versus non-permanent members, and (3) elected versus non-elected recipient countries.

The inclusion of creditor-recipient-election fixed effects $\alpha_{o,d,e}$ absorbs all time-invariant characteristics of each creditor-recipient pair within each election cycle, ensuring that β_h is identified purely from within-pair changes in ECA financing around elections. The inclusion of election-year fixed effects interacted with both *Permanent Member*$_o$ and *Elected*$_d$ controls for aggregate time trends that might differentially affect permanent versus non-permanent member creditors, or elected versus non-elected recipients, across different election cycles. This design addresses concerns about staggered treatment timing that can bias two-way fixed effects estimators (De Chaisemartin and d'Haultfoeuille, 2020): by including election-by-year fixed effects, we ensure that β_h is always estimated by comparing treated and control units within the same election cycle, never using variation across elections and hence never comparing early treated with late treated.

We control for predicted trade flows *Trade*$_{o,d,e,t}$ from the gravity equation to ensure that β_h reflects ECA financing in excess of what normal trade patterns would predict. We also estimate a version of the regression when we control for region-income group-by-year fixed effects for origin and destination countries, and when we control for origin-by-year and destination-by-year fixed effects. In the last case, the specification fully absorb any time-varying shocks that would happen at the creditor (origin) level and at the recipient (destination) level. Standard errors are clustered at the creditor-recipient-election level to account for serial correlation within each creditor-recipient pair across election cycles.

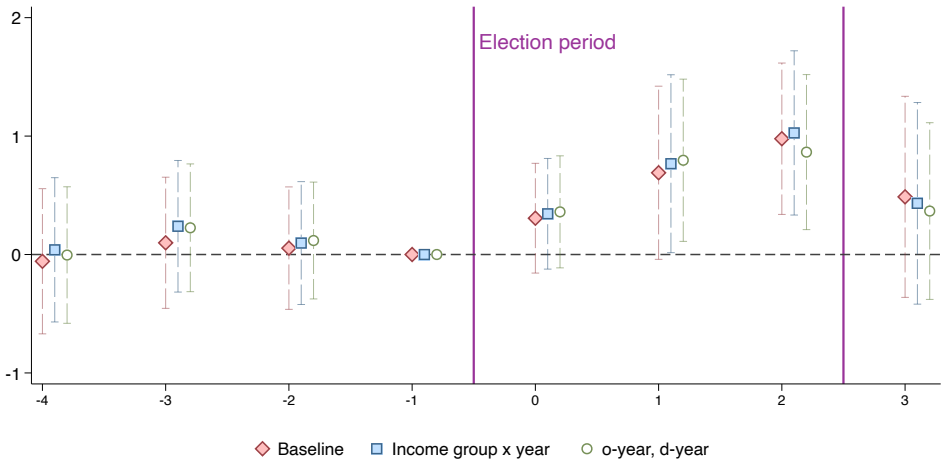
The identifying assumption is that, absent UNSC election, ECA financing from permanent

members to elected countries would have evolved in parallel to ECA financing from non-permanent members to elected countries (and symmetrically for non-elected countries). We can test for violations of parallel pre-trends by examining whether β_h differs from zero for $h < 0$.

5.5.2 Results

Figure 14 presents the event study results, plotting the estimated coefficients β_h with 95% confidence intervals using cumulative ECA financing up to year t to examine persistent effects.

FIGURE 14: UN Security Council Election and Export Credit Flows



Notes: This figure shows the effect of UNSC election on the supply of ECA financing from permanent members to elected countries over the period 2000–2017. The coefficients are obtained from estimating the event study specification described in equation (5) for $h \in [-4, +4]$. Standard errors are clustered by creditor-recipient-election pair. "Baseline" is estimated by using country-pairs×election and year×election fixed effects. "Income group×year" includes region-income group-by-year fixed effects for origin and destination countries. "o-year, d-year" includes the full set of origin-by-year and destination-by-year fixed effects. All fixed effects are interacted with the vector of election fixed effects and all regressions include a control $\widehat{\text{Trade}}_{o,d,t-1}$, the predicted yearly trade flow between origin country o and destination country d using the gravity dataset from Martin, Mayer and Thoenig (2008).

Three key findings emerge. First, consistent with the parallel trends assumption, the coefficients for $h \in \{-4, -3, -2, -1\}$ are small in magnitude and statistically indistinguishable from zero. Prior to UNSC election, there is no differential trend in ECA financing from permanent members to soon-to-be-elected countries relative to the control group. This finding supports a causal interpretation of the post-election changes.

Second, ECA financing from permanent members to elected countries increases sharply following the election. The coefficient β_1 (the first full year of UNSC membership) is positive and significant, and the effect grows larger at β_2 (the second full year of membership). This timing makes institutional sense: newly elected members join the Council in January of the year following their election, so we would expect effects to emerge in the first full calendar year of membership and potentially intensify in the second year as permanent members seek to cultivate support.

Third, the effect dissipates quickly once countries' UNSC terms end. By $h = 3$ (the first year after the two-year term concludes), the coefficient reverts to its baseline value and is no longer statistically significant. This rapid reversal provides strong evidence for a causal interpretation. If the UNSC election results merely captured some other omitted factor (such as recipient countries' improving economic fundamentals or strengthening diplomatic relationships) that drives both UNSC selection and ECA financing, we would expect those factors to persist after the UNSC term ends. Instead, the spike-and-reversal pattern suggests that permanent members strategically increase ECA financing specifically during the period when recipients hold UNSC seats and can influence Council votes.

5.5.3 Interpretation and Robustness

The UNSC rotation results provide compelling causal evidence that geopolitical considerations drive ECA allocation decisions. The quasi-experimental design addresses the key limitation of the regression evidence in Section 5.2: by exploiting plausibly exogenous variation in when countries gain temporary geopolitical influence, we can rule out many alternative explanations based on omitted variables or reverse causality.

The temporary nature of the effect is particularly important for interpretation. If ECA financing responded to UNSC membership because newly elected countries had improving economic prospects or creditworthiness (which might both increase their chances of UNSC election and make them attractive ECA recipients), we would expect those improvements to persist after their terms end. The spike-and-reversal pattern documented above is thus most consistent with instrumental use of ECAs during the window of UNSC influence.

One important question is whether the ECA financing provided during UNSC terms represents actual resource transfers or merely relabeling of financing that would have occurred anyway. The fact that cumulative financing returns toward baseline levels after UNSC terms end suggests some degree of intertemporal substitution: permanent members may accelerate ECA financing during UNSC membership and reduce it afterward, rather than permanently increasing the total level of support. However, the cumulative effect during the UNSC term itself is positive and significant, indicating genuine resource transfers during the period of geopolitical relevance, not pure relabeling.

The fact that the effect operates in excess of predicted trade flows—since we control for gravity-based trade predictions—indicates that permanent members are not simply responding to expanded commercial opportunities with newly elected countries. Rather, they are providing ECA financing beyond what the natural level of bilateral commerce would justify, consistent with ECAs serving as explicit tools of diplomatic influence.

The UNSC effect is specifically about temporary increases in geopolitical value and may not generalize to the sustained alignments captured by UN voting similarity measures. However,

the fact that even temporary and modest increases in diplomatic leverage elicit measurable ECA responses suggests that the effects of more durable alignments documented in Section 5.2 are, if anything, larger. In that sense, the UNSC evidence may in fact provide a lower bound on the importance of geopolitical considerations. The combination of the UNSC natural experiment and the regression evidence on sustained alignment provides consistent evidence on how geopolitical factors shape the allocation of export credits.

6. Conclusion

That industrial policy is inherently political is hardly news. What our analysis suggests is that such political considerations also have an important global dimension. Using a variety of empirical approaches, we show that short-term and long-term geopolitical alignment predicts which export destinations are supported by official export credits.

The fact that geopolitics matter for the global allocation of export credits should not be interpreted as an indictment of these policies. Overcoming uninsurable political risk is a key rationale for these policies, and export credits could be economically efficient insofar as they address genuine frictions from weak enforcement or market power in private trade finance. Our analysis also does not speak to the relative importance of political versus economic factors in determining who receives export credit support.

Our analysis opens several avenues for future work. First, more causal evidence on how geopolitics shapes the implementation of industrial policy would be welcome. Second, little is known about whether non-economically motivated industrial policy achieves its security or diplomatic objectives. Third, our newly assembled bilateral data on export credits could serve as a useful input for studying many other questions in international finance and political economy.

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ONLINE APPENDIX

"THE GEOPOLITICS OF INDUSTRIAL POLICY:
EVIDENCE FROM EXPORT CREDITS"

Adrien Matray Karsten Müller Zekai Shen Chenzi Xu

November 2025

A. DATA CONSTRUCTION

We draw on 12 datasets to understand global competition in export credits: (1) the OECD Development Assistance Committee (DAC) Database, (2) World Bank Joint External Debt Hub, (3) Historical Berne Union Yearbooks, (4) Historical OECD reports on external debt, (5) International Credit Insurance & Surety Association (ICISA), (6) AidData, (7) U.S. Export-Import Bank (EXIM), (8) Various reports from other Export Credit Agencies, (9) United Nations General Assembly Voting Data, (10) BIS Locational Banking Statistics, (11) World Bank data on exports, imports, and income levels, and (12) bilateral trade data from Comtrade. We describe these sources in turn.

A.1 Export Credits

A.1.1 OECD Development Assistance Committee (DAC)

The Organization for Economic Cooperation and Development (OECD) provides several datasets that measure aid (Official Development Assistance, ODA) and Other Official Flows (OOF), where OOF also includes official export credits. These data are critical for our empirical exercise for two reasons. First, they allow us to estimate the overall size of the global export credit market. Second, by combining several sources, they allow us to estimate *bilateral* export credit flows.

DAC1. This dataset offers aggregated data on ODA, OOF, and contributions from non-governmental organizations (NGOs) or philanthropic foundations, categorized by provider. The DAC1 data only contains donor-level aggregate figures for export credits. However, it provides a detailed breakdown into officially-provided direct export credits, guaranteed or insured export credits, and debt relief on export credits.

Official flows. This dataset compiles the bilateral sum of ODA and OOF for 1960–2023, representing the total (gross or net) disbursements by official donors (or creditors) to a recipient country. ODA refers to government aid, typically characterized by concessional financial terms. In contrast, OOF encompasses official sector transactions that do not meet ODA criteria. It thus includes grants for commercial purposes and loans with a grant element of less than 25%. OOF thus

also includes official export credits directly provided by export credit agencies.[1]

DAC2B. This separate dataset reports information on OOF and official export credits, covering 1960–2020. However, it does *not* provide bilateral data by creditor and recipient country, including on export credits. Instead, it aggregates information at the creditor-group and recipient-group levels, such as "Donor - Asia, Total" or "Official Donors, Total → Angola."

Creditor Reporting System (CRS). The CRS provides granular, project-level information on individual aid projects and programs for the period 1960–2023. Importantly, it reports *bilateral* project-level flow data for OOF *excluding* export credits. It also covers the categories ODA Grants, ODA Loans, Private Development Finance, and Equity Investments.

Additional historical estimates. We obtain additional historical estimates for the years 1956 to 1968 from an IMF staff paper published in 1970 (International Monetary Fund, 1970). These data technically measure *net* changes in insured credits by DAC members, not *gross* flows. The overlapping data with the official OECD statistics, however, are larger, so they may still be a reasonable approximation of overall officially-supported export credit activity at the time.

A.1.2 Joint External Debt Hub

The Joint External Debt Hub (JEDH) is a collaborative initiative developed by the BIS, the International Monetary Fund (IMF), the OECD, and the World Bank (WB). It consolidates external debt data and selected foreign assets from international creditor and market sources. The JEDH provides data on a country's total insured export credit exposure (i.e., its export credit liabilities) based on information provided by the Berne Union, a leading global association for the export credit and investment insurance industry. The Berne Union provides time series on short-term and overall export credit liabilities for the period from 2005 to 2023.

A.1.3 Historical Berne Union Yearbooks

To track the size of the global export credit market before 2005, we manually digitized data from historical editions of the Berne Union Yearbook. These data contain the total amount of export credit extended by Berne Union members, which covers most of the leading private and official (public) export credit providers. These data provide a breakdown of the global market for export credit by maturity (short-term vs. medium- to long-term) and provider type (private vs. official).

The oldest Yearbook we could identify was the 1998 edition. Because the data are subject to (usually minor) revisions, we always prioritized newer versions when constructing time series. In

[1] Since the OECD DAC data has largely been used to study aid, countries are classified as "donors" or "recipients." In what follows, we use these terms interchangeably with "creditors" and "borrowers", respectively, when we discuss financial flows other than aid.

total, these data cover the period 1982–2006, and thus overlaps with the Berne Union data reported in the JEDH. Figure D.3 shows that the overlapping data are similar.

A.1.4 Historical OECD Reports

To validate the data on total outstanding export credit claims, we also draw on data from a historical OECD compilation called External Debt Statistics, in particular the 1998-2002 and 1988-1998 editions. Among others, these data provide a breakdown of official and officially guaranteed export credits extended by OECD countries as well as short-term export credits for 172 countries, covering the time period 1988 to 2002.

A.1.5 International Credit Insurance & Surety Association (ICISA)

We also obtained data on global export credit exposures from the ICISA, another association of private and public export credit providers, which provides these statistics on its website. The members of ICISA largely overlap with those of the Berne Union. As a result, the overall market size estimates in Figure D.3 look similar to that using Berne Union data.

A.1.6 AidData

To measure bilateral export credits provided by China and India, who do not report to the OECD, we use AidData, which is part of the Global Research Institute at William & Mary. We focus on medium- and long-term loans and restrict the sample based on loan maturity.

Chinese data To measure export credits extended by the Chinese ECAs, we use the recent China's Global Loans and Grants Dataset (CGLG), Version 1.0, which builds on earlier releases such as AidData's Geospatial Global Chinese Development Finance Dataset (GGCDF), Version 3.0. These datasets contain granular transaction-level information on official development flows and, importantly for our study, export credits.

We carefully investigated potential differences between the CGLG and GGCDF datasets and found them to be broadly similar, with the exception of the newer CGLG being somewhat more comprehensive in coverage. The CGLG has one main conceptual extension in its categorization of official flows, which is the addition of "Official Flows to Ineligible Countries" (OFIC), capturing non-ODA official finance to ODA-ineligible (typically high-income) recipients. However, when treated as part of Other Official Flows (OOF), our calculations suggest that the resulting estimates of export credit flows in the datasets are highly similar. We thus prefer the more comprehensive CGLG dataset and use it for our analysis.

The Chinese data covers the period from 2000–2023 and 217 recipient nations. To identify export credit transactions, we follow three steps.

1. **Identify disbursed loans:** We only keep records that are recommended for aggregation or flagged as umbrella projects. This excludes all canceled or suspended projects, and projects that never reached the formal approval stage.

2. **Identify ECA involvement:** A transaction is classified as potential export credit if China's Export-Import Bank or Sinosure appear anywhere in the project's financing structure, either among the funding agencies, insurance provider or guarantor.

3. **Identify non-aid transactions:** We construct three measures of export credit based on different subsets of transactions, which we refer to as "narrow", "baseline", and "broad" definitions.

    - *Baseline definition:* Count as export credits all transactions identified as "Other Official Flows" (OOF) as their flow class.
    - *Narrow definition:* Count as export credits all transactions that are explicitly designated as "ExportBuyersCredit" or "SuppliersCreditExportSeller."
    - *Broad definition:* Count as export credits all non-ODA official flows, which includes transactions classified as "Vague (ODA or OOF)" as their flow class.

In practice, the three resulting measures are highly correlated. When aggregated to the recipient country-year panel, the correlation coefficient calculated of the baseline definition with the narrow and broad definitions is 0.97 and 0.98, respectively.

Indian data We also obtain data on export credits provided by Indian ECAs from the Indian Development Finance Dataset, Version 1.0. This dataset only covers 169 recipient countries for the period 2007 and 2014. We classify as export credit any transaction with involvement from the Export-Import Bank of India.

[ZS: Is the Indian data definition is the same as the China Aid data now?]

A.1.7 U.S. EXIM Bank

Loan-level data We use comprehensive records of EXIM-backed transactions from 2007 to 2022, obtained through a FOIA request (Matray, Müller, Xu and Kabir, 2024). These records contain information both on direct loans by the U.S. EXIM Bank and loans for which it provides guarantees or insurance. Importantly, these data also contain the precise date of each transaction and the country of the recipient. For our analysis, we aggregate the data at the recipient-year level and use the disbursed amounts as a measure of official export credit.

Competitiveness Report The U.S. EXIM Bank's Competitiveness Report (formally called Report to the U.S. Congress on Global Export Credit Competition) is an annual report published

by EXIM comparing its export credit and trade finance offerings to those of other official export credit agencies (ECAs) around the world. It contains estimates on the overall amount of medium- to long-term (MLT) credit provided by all leading ECAs, which EXIM obtains mainly through surveys but also independent estimates. We obtained a time series of these estimates for 2015 to 2024 from the 2024 edition of the Competitiveness Report. Moreover, we repeat the same exercise for all the reports since 2000, allowing us to capture data on MLT credit since 1990. Notably, the Chinese ECAs—the Export-Import Bank of China and Sinosure—do not directly provide the U.S. EXIM with data, so their activity is estimated.

> *"EXIM's 'bilateral template' that its foreign counterparts voluntarily provide is the primary source for most of the quantitative data presented in this report. Acknowledging that, in the past decade, many OECD Arrangement Participants have shifted to providing more medium- and long-term (MLT) trade-related support outside the scope of the Arrangement, while many non-Participants to the OECD Arrangement have ramped up MLT export credit support, EXIM routinely modifies the bilateral template to better capture new program offerings."*
>
> — EXIM Competitiveness Report (2024)

A.1.8 Other Export Credit Agencies

For some aggregate numbers, we rely on data digitized from the Export Credit Agencies (ECAs) of India and China. Specifically, we obtain data on the total export credits extended or guaranteed by the Export-Import Bank of India, in addition we use the US-EXIM annual competitiveness report to construct total medium- to long-term credit by all major ECAs.

A.2 Geopolitical Distance

United Nations General Assembly Voting Data To measure geopolitical relations, we use data on voting records in the United Nations General Assembly (UNGA). Voeten, Strezhnev and Bailey (2009) compile roll-call votes from the UNGA sessions 1 through 78, spanning the years 1946 to 2023. This dataset provides a comprehensive record of voting behavior, encompassing the majority of votes that typically occur during the fall sessions, as well as an increasing number of votes held in the spring in recent years.

We derive the **S score** measure to quantify the geopolitical alignment between two countries in a given year, introduced by Signorino and Ritter (1999) in their study of dyadic relationships. The S score is a Euclidean distance measure that captures the degree of voting similarity between every dyad (pair of countries), calculated as follows:

$$S_{ab} = 1 - \frac{\sum_{v=1}^{V} |Y_{av} - Y_{bv}|}{V},$$

where V denotes the total number of votes, a and b represent two countries, and Y refers to the voting choice, which can take one of three values: **yea** ($Y = 1$), **abstain** ($Y = 2$), and **nay** ($Y = 3$). The formula computes the normalized distance between two countries' voting records, with the S score ranging from 1 (perfect agreement on all votes) to -1 (complete disagreement on all votes).

The measures above have been widely used in existing studies of geopolitical alignment and trade (e.g., Kleinman, Liu and Redding, 2024). As noted by Bailey, Strezhnev and Voeten (2017), measures based on the dyadic similarity of vote choices fail to account for the heterogeneity in the resolutions being voted on. This limitation may lead to the misattribution of changes in the UN agenda as changes in state preferences.

To address this issue, we employ a second measure based on the "ideal points" estimated by Bailey, Strezhnev and Voeten (2017), who utilize spatial voting models from the roll-call literature to estimate each country's political preferences as reflected in their UN voting behavior. The result is a time-varying, one-dimensional measure ranging approximately from -2 to 2, capturing a country's position relative to the U.S.-led liberal international order. Higher values indicate greater alignment with Western positions (e.g., the United States and EU member states), while lower values indicate positions closer to counter-hegemonic states (e.g., North Korea, Iran, and Syria). Using the publicly available ideal point estimates (updated in 2024), we construct our measure of bilateral political distance, which we refer to as the **ideal point distance**, by calculating the absolute difference between the ideal points of countries i and j in year t:

$$\text{IdealPointDistance}_{ijt} = |IP_{it} - IP_{jt}|,$$

where IP_{it} denotes the ideal point of country i in year t. A larger ideal point distance indicates greater divergence in geopolitical positions between two countries.

A.3 Cross-Border Loan Debt

The Locational Banking Statistics (LBS) collected by the Bank for International Settlements (BIS) provide detailed data on international banking activities. These statistics measure the outstanding claims and liabilities in over 200 countries by globally active banks reporting to the BIS. We use these data to measure the total amount of outstanding cross-border claims BIS-reporting banks have on a country, a proxy for its cross-border loan debt. This allows us to analyze how much export credit contributes to cross-border lending.

A.4 Macroeconomic Data

We obtain data on imports, exports, and GDP per capita from the Global Macro Database (Müller, Xu, Lehbib and Chen, 2025). The classification of income levels is taken from the World Bank's World Development Indicators.

A.5 Comtrade Bilateral Trade Data

The UN Comtrade Database provides bilateral international trade statistics and is maintained by the United Nations Statistics Division. It provides detailed data from over 170 countries on imports and exports by product and trading partner, which are reported using the standardized Harmonized System (HS) and SITC classifications.

B. Estimating Bilateral Export Credit Flows

Under the statistical protocols of the OECD Development Assistance Committee (DAC), official supported export credits information submitted by national ECAs is classified as confidential (OECD, Development Assistance Committee , DAC). Consequently, while the OECD disseminates granular, transaction-level data for Official Development Assistance (ODA) through the Creditor Reporting System (CRS), export credit data are publicly released only in regionally aggregated formats via the DAC2B: Other official flows (OOF) and export credits dataset. For instance, a researcher can observe the total volume of export credits extended by the United States to "South of Sahara," but the specific volume extended to Nigeria or Kenya remains suppressed.

To overcome this data limitation and construct a panel of bilateral export credit disbursements, we use a careful approach based on the accounting identities intrinsic to the OECD's statistics. The logic is simple. The aggregate bilateral Gross Official Flows are publicly available. For three out of four components—ODA, Private Sector Instruments (PSI), and Other Official Flows (OOF) *excluding* export credits—the CRS transaction-level data allows us to estimate bilateral flows. As a result of these reporting, it is possible to derive export credits as the residual of Gross Official Flows and the sum of the non-export credit components.

According to the Converged Statistical Reporting Directives (OECD, Development Assistance Committee , DAC), total official flows to developing countries can be decomposed into four mutually exclusive sub-categories. Let F_{ijt} denote Gross Total Official Flows from donor i to recipient j in year t. This aggregate is defined by:

$$F_{ijt} \equiv \text{ODA}_{ijt} + \text{OOF}_{ijt}^{\text{non-EC}} + \text{EC}_{ijt} + \text{PSI}_{ijt} \tag{B.1}$$

where ODA denotes Official Development Assistance, $\text{OOF}^{\text{non-EC}}$ denotes Other Official Flows excluding export credits, EC denotes Officially Supported Export Credits (comprising both direct official credits and officially guaranteed private credits), and PSI denotes Private Sector Instruments. Rearranging, bilateral export credits can be derived as a residual:

$$\text{EC}_{ijt} = F_{ijt} - \text{ODA}_{ijt} - \text{OOF}_{ijt}^{\text{non-EC}} - \text{PSI}_{ijt} \tag{B.2}$$

We obtain bilateral Gross Official Flows (F_{ijt}) from the OECD Data Explorer dataflow `DSD_DAC2@DF_OFFICIAL`,

which provides data extending back to 1960. We use Gross Disbursements rather than Net Flows; the latter subtract principal repayments, which makes it unclear whether zero net flows represent no new lending or a high degree of repayments. Since we are interested in the determinants of newly extended export credits, we thus focus on Gross Disbursements.

For the components we end up subtracting, we draw on the OECD Creditor Reporting System (CRS), which provides transaction-level bilateral data with granular metadata including flow type and disbursement amounts. While the Converged Statistical Reporting Directives (OECD, Development Assistance Committee , DAC) confirms that bilateral export credit records exist within the Secretariat's CRS database (Flow Code 22), the publicly disseminated version suppresses this information.

A naïve application of the residual equation to pre-2009 CRS data produces systematically biased estimates, reflecting the historical evolution of OECD reporting practices. Prior to 2009, the DAC maintained what was effectively a dual-track reporting system: on the one hand, members submitted pre-aggregated annual totals through the DAC Questionnaire (e.g., DAC1, DAC2A, DAC2B), a process the Directives describe as separate from CRS reporting— *"aggregates… reported in the CRS should be equal to, included in, or related in a known way to the corresponding annual aggregates reported in the DAC Questionnaire"* . On the other hand, countries reported transaction-level activity data to the CRS, which the OECD explicitly characterizes as *"supplementing the information collected at the aggregate level in the annual DAC statistics"* . The Directives further underline that *"the links between the CRS and the DAC allow the two reporting systems to supplement and reinforce one another"*—a formulation that confirms their status as parallel, not integrated, systems during this period (OECD, Development Assistance Committee , DAC).

However, during the period in question, reporting to the CRS was neither fully comprehensive nor uniformly mandatory across all flow types, resulting in coverage gaps relative to the DAC aggregates. The Reporting Directives for the Creditor Reporting System (OECD, Development Assistance Committee , DAC) explicitly notes that the CRS "coverage ratio" often varies and that low coverage means the data *"may not present a balanced picture"* of members' aid. Technical cooperation was a major source of incompleteness: because such activities could involve thousands of small transactions, members *"may not be able to compile data on all individual technical co-operation activities,"* and OECD therefore allowed semi-aggregate reporting in place of item-level submissions . Additional categories—such as some multilateral-executed activities and some type of OOF flows—were also reported on a voluntary basis. As a result, DAC aggregate tables functioned as the more complete benchmark, with CRS data requiring comparison against DAC figures to assess and correct for missing coverage.

Beginning in 2009–2010, the OECD thus implemented the Converged Statistical Reporting (OECD, Development Assistance Committee , DAC). The aggregate statistics are now derived algorithmically from CRS microdata (bottom-up aggregation), and comprehensive reporting became mandatory. This change of reporting standards matters for our calculations, because it

would lead us to overestimate export credit flows. To be precise, if F_{ijt} is based on comprehensive aggregate reporting but the subcomponents ODA, $\text{OOF}^{\text{non-EC}}$, and PSI are derived from incomplete CRS data, we will subtract too little, producing systematic overestimation of export credits in the pre-2009 period.

To mitigate this bias, we substitute the CRS-derived ODA with official bilateral ODA figures from DAC2A: Aid (ODA) disbursements to countries and region. Unlike other flow categories, bilateral ODA is fully disclosed in DAC publications. Crucially, the DAC2A series was historically collected through the Aggregate Stream, capturing the universe of ODA transactions. Specifically, we use "Memo: ODA Total, Gross Disbursements."

We thus estimate export credits based on the following equation:

$$\widehat{\text{EC}}_{ijt} = F_{ijt}^{\text{DAC}} - \text{ODA}_{ijt}^{\text{DAC2a}} - \text{OOF}_{ijt}^{\text{CRS}} - \text{PSI}_{ijt}^{\text{CRS}} \tag{B.3}$$

This substitution eliminates mechanical overstatement of export credits due to the "ODA gap" between the data reported in the DAC2A and CRS datasets.

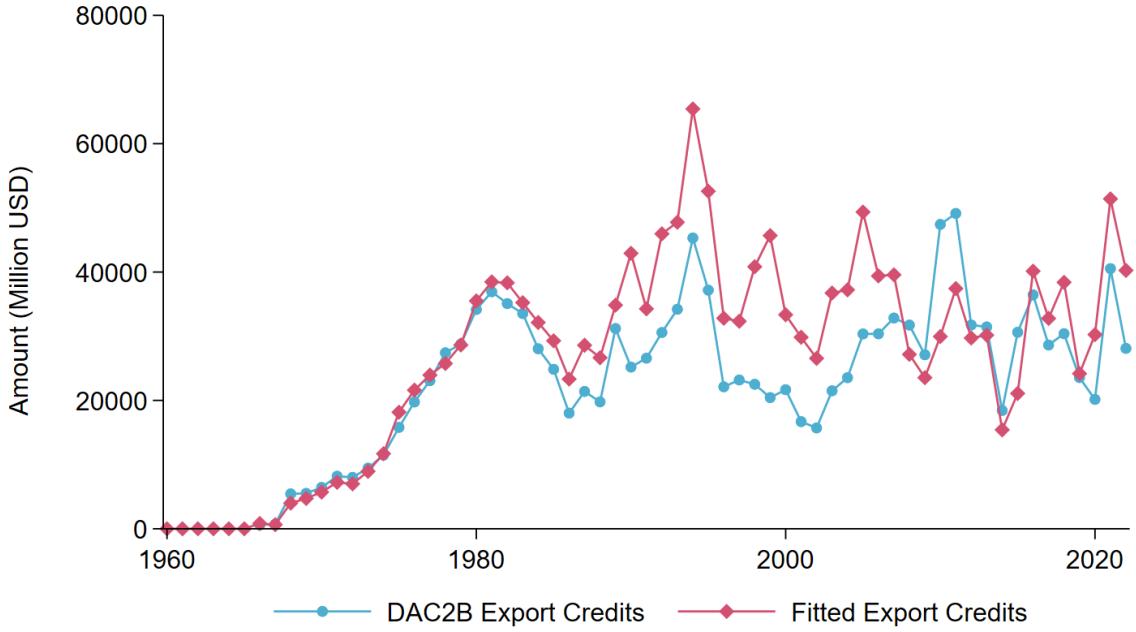
Note that there is potential remaining residual measurement error for OOF if such transactions were unreported in the CRS dataset before 2009. However, non-export credit OOF was negligible for most donors during 1960–1990, and as our validation exercise below demonstrates, any such errors would have to be minimal during this period and disappear completely after 2010.

We validate our constructed series by aggregating bilateral estimates and comparing them against the official published regional figures in the DAC2b dataset. Figure B.1 presents a time series comparison of aggregate volumes, which suggests three distinctive time periods. During 1960–1990, our estimates track official aggregates with high precision. The reason is that non-export credit OOF was negligible, such that any measurement error in the CRS is minimal. During 1990–2009, a gap emerges where our estimates slightly exceed the DAC2b figures, coinciding with diversification of OOF instruments captured in aggregate tables but lagging in CRS entry. Post-2010, the gap disappears as the OECD's Converged Directives render the aggregate equivalent to the sum of CRS components.

Figure B.2 presents binned scatter plots at the donor-year and recipient-year levels. These are again derived by summing our estimated bilateral export credit flows and comparing them with the officially reported numbers from the DAC2b dataset. We find that our imputed values are almost perfectly correlated with the donor-year or recipient-year aggregates.

Note that our series can sometimes contain negative values for certain observations, despite our focus on gross flows. These are *not* artefacts of our estimation procedure but rather reflect OECD reporting conventions: cancellations of commitments made in previous years are recorded as negative entries in the current year rather than retroactive amendments to historical data (OECD, Development Assistance Committee , DAC). The DAC2b regional aggregates similarly contain negative values, confirming that our negative estimates simply reflect the OECD's

FIGURE B.1: Global Trends – DAC2B VS Our Estimated Export Credit Flows

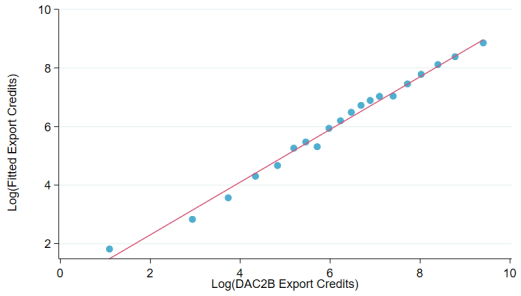


Notes: This figure plots the total estimated export credit flows, estimated using our methodology above, against the aggregate data from the OECD DAC2B database.

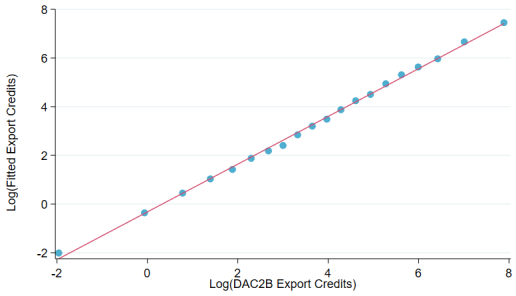
statistical guidelines.

FIGURE B.2: Validation – Comparing Estimated Export Credit Flows With Official Data

(A) Creditor Country Level



(B) Recipient Country Level



Notes: These figures plot the total estimated export credit flows, estimated using our methodology as explained above, against the officially reported aggregate data from the OECD DAC2B database. Panel (A) compares the totals by creditor country, and Panel (b) by recipient countries. The negative values are truncated at 0. Both DAC2B Export Credit and our estimated Export Credit are in log with +1 inside.

C. Additional Institutional Context

C.1 Export Credit Agencies

Institutional Forms. ECAs are partially or fully public entities that operate on commercial principles. The extent of state involvement typically reflects whether risks are carried on the ECA's own balance sheet or formally on the government's account, the degree of political oversight in credit and guarantee decisions, and the scope of statutory mandates (e.g., focus on climate-friendly initiatives or small business).

We outline below the different models for state involvement:

- **Government agency model:** ECAs operating within a ministry or as independent government agencies (e.g., the U.S. Export–Import Bank, UK Export Finance).
- **State-owned corporate model:** Legally independent, government-owned corporations operating under commercial law, often with explicit state backing for liabilities (e.g., SACE in Italy, SERV in Switzerland).
- **Hybrid public–private models:** Systems in which private insurers or financial institutions administer export credit guarantees on behalf of the state, while ultimate risk remains with the government (e.g., Germany's Hermes system, the Netherlands' Atradius DSB).
- **Development or export bank model:** Institutions that combine export credit functions with broader development banking roles, providing both insurance and direct lending (e.g., KEXIM in Korea, Bancomext in Mexico, JBIC in Japan).

OECD Arrangement. The OECD Arrangement regulates the core dimensions of export credit operations by setting the following:

- **Pricing rules:** minimum interest rates through the Commercial Interest Reference Rate (CIRR) system, differentiated by currency and maturity.
- **Repayment terms:** limits on maximum repayment periods and requirements on front-end fees, premia, and risk classification.
- **Risk categories:** standardized country risk classifications that help harmonize premium structures across ECAs.
- **Concessionality rules:** restrictions on tied and mixed credits, including minimum grant element requirements for poorer countries and non-commercial projects.

Historical use of ECAs for geopolitical purposes. The US EXIM Bank, created in 1934 as part of the New Deal, was designed from its inception to serve both economic and foreign policy objectives. Its first incarnation in 1934 was explicitly designed to extend loans to the Soviet Union. No loans were ever disbursed, and the second incarnation, created in the same year, was established to lend to Cuba and "any part of the world except the Soviet Union." Ultimately, the current incarnation of the EXIM bank issued its first loan to Cuba for the imports of US silver.

During World War II, EXIM played a crucial strategic role by financing the construction of the Burma Road (1938–1945) with a $25 million credit to fund the supply route that would support Chinese resistance against Japanese invasion. This loan is one of the earliest examples of using export credits as an instrument of geopolitical alliance-building and strategic competition.

Following World War II and throughout the Cold War, US export credits were systematically deployed to support allied governments and counter Soviet influence. EXIM financing was part of the Marshall Plan for rebuilding Western Europe, supported infrastructure development in Latin America as part of the Alliance for Progress, and financed South Korea's growth miracle into industrial production (Barteska, Kim, Lane and Lee, 2025).

During the Cold War, the Soviet financing of Egypt's Aswan High Dam provides another well-documented example of how export credits served explicit geopolitical objectives. After the United States and United Kingdom withdrew their offer to finance the dam in 1956 due to concerns about Egypt's growing ties to the Soviet bloc, the Soviet Union stepped in with a comprehensive financing package. Between 1958 and 1960, the USSR provided approximately $425 million at interest rates of approximately 2.5 percent under long-term repayment schedules. These credits paid for Soviet-supplied equipment and technical services in the building of the dam.

TABLE C.1: Export Credit Agencies by Country

Country	OECD	Name	Year Founded
Albania	0	Albania Investment Development Agency (AIDA)	2010
Algeria	0	Compagnie Algérienne d'Assurance et de Garantie des Exportations	1996
Armenia	0	Export Insurance Agency of Armenia	2013
Argentina	0	Banco de Inversion y Comercio Exterior	1992
Australia	1	Export Finance Australia	1957
Austria	1	Oesterreichische Kontrollbank AG	1946
Austria	1	Austria Wirtschaftsservice	2002
Bahrain	0	Export Bahrain	2018
Bangladesh	0	Sadharan Bima Corporation	1973
Barbados	0	Central Bank of Barbados: Export Credit Insurance Scheme	1978
Belarus	0	EXIMGARANT of Belarus	2001
Belgium	1	Credendo Group	1921
Belgium	1	The Brussels Guarantee Fund (Fonds Bruxellois de Garantie)	1999
Bosnia and Herzegovina	0	Export Credit Agency of Bosnia and Herzegovina	1996
Botswana	0	Export Credit Insurance & Guarantee Company	1996
Brazil	0*	Brazilian Development Bank	1952
Brazil	0*	The Brazilian Guarantees and Fund Management Agency	1999
Bulgaria	0	Bulgarian Export Insurance Agency	1998
Cameroon	0	Fonds d'Aide et de Garantie des Crédits aux Petites et Moyennes Enterprises	2022
Canada	1	Export Development Canada	1944
Chile	1	La Corporación de Fomento de la Producción	1939
China	0	Export-Import Bank of China	1994
China	0	China Export and Credit Insurance Corporation	2001
Hong Kong	0	Hong Kong Export Credit Corporation	1966
Colombia	1	Fondo Nacional de Garantias S.A	1982
Colombia	1	Banco de Comercio Exterior de Colombia	1991
Colombia	1	Colombia's Business Development Bank (BANCOLDEX)	1992
Croatia	0	Croatian Bank for Reconstruction and Development	1992

Continued on next page

Table C.1 – *Continued from previous page*

Country	OECD	Name	Year Founded
Czechia	1	Export Guarantee and Insurance Corporation	1992
Czechia	1	Czech Export Bank	1995
Denmark	1	Export Credit Fund	1922
Dominican Republic	0	National Bank for Exports (BANDEX)	2015
Ecuador	0	National Financial Corporation Export Promotion Fund	1972
Egypt, Arab Rep.	0	Export Development Bank of Egypt	1983
Egypt, Arab Rep.	0	Export Credit Guarantee Company of Egypt	1992
Estonia	1	Kredex Credit Insurance	2000
Ethiopia	0	Development Bank of Ethiopia, Export Credit Guarantee and Special Fund Administration Bureau	2008
Finland	1	Finnvera	1999
Finland	1	Finnish Export Credit Ltd.	2000
France	1	Coface	1946 **
France	1	Bpifrance Assurance Export	2017
Germany	1	Euler Hermes Aktiengesellschaft	2002
Germany	1	KfW IPEX Bank	2008
Ghana	0	Ghana Export-Import Bank	2016
Greece	1	Export Credit Insurance Organisation	1988
Hungary	1	Hungarian Export Credit Insurance Ltd.	1994
Hungary	1	Hungarian Export-Import Bank Plc.	1994
India	0	Export Credit Guarantee Corporation of India	1957
India	0	Export-Import Bank of India	1982
Indonesia	0	PT. Asuransi Ekspor Indonesia	1985
Indonesia	0	Indonesian Eximbank	2009
Iran, Islamic Rep.	0	Export Development Bank of Iran	1991
Iran, Islamic Rep.	0	Export Guarantee Fund of Iran	1994
Israel	1	Israel Export Insurance Corp. Ltd.	1957
Italy	1	Cassa Depositi e Prestiti	1850
Italy	1	Servizi Assicurativi del Commercio Estero (SACE)	1977
Jamaica	0	EXIM Bank Jamaica	1986
Japan	1	Japan Bank for International Cooperation	1999
Japan	1	Nippon Export and Investment Insurance	2017
Jordan	0	Jordan Loan Guarantee Corporation	1994

Continued on next page

Table C.1 – *Continued from previous page*

Country	OECD	Name	Year Founded
Kazakhstan	0	Eximbank Kazakhstan	1994
Kazakhstan	0	KazExportGarant	2003
Latvia	1	SIA Latvijas Garantiju aģentūra (Latvian Guarantee Agency Ltd.)	1998
Lebanon	0	The Lebanese Credit Insurer (LCI)	2001
Lithuania	1	Investiciju ir Verslo Garantijos (INVEGA)	2001
Luxembourg	1	Office du Ducrorie	1961
Macedonia	0	Macedonian Bank for Development Promotion AD Skopje	1998
Malaysia	0	Export-Import Bank of Malaysia Berhad	1995
Mexico	1	Banco Nacional de Comercio Exterior, SNC	1937
Morocco	0	Caisse Centrale de Garantie	1949
Morocco	0	Société Marocaine d'Assurance à l'Exportation (SMAEX)	1974
Namibia	0	Development Bank of Namibia	2004
Netherlands	1	Atradius Dutch State Business	2001
Netherlands	1	Netherlands Enterprise Agency	2014
New Zealand	1	New Zealand Export Credit Office	2001
Nigeria	0	Nigerian Export-Import Bank	1991
Norway	1	Export Credit Norway	2012
Norway	1	Garanti-instituttet for eksportkreditt, GIEK	1929
Norway	1	Export Finance Norway	2021
Oman	0	Export Credit Guarantee Agency of Oman (S.A.O.C)	1991
Pakistan	0	Export Import Bank of Pakistan	2015
Peru	0	Corporacion Financiera de Desarrollo	1971
Philippines	0	Philippine Guarantee Corporation	1977
Poland	1	Export Credit Insurance Corporation	1991
Portugal	1	Companhia de Seguro de Créditos	1969
Qatar	0	TASDEER (managed by the Qatar Development Bank)	2011
Korea, Rep.	1	Export-Import Bank of Korea	1976
Korea, Rep.	0	Korea Trade Insurance Corporation	1992
Romania	0	Eximbank of Romania	1992
Russian Federation	0	Export Import Bank of Russia	1994
Russian Federation	0	Bank for Development and Foreign Economic Affairs (Vnesheconombank)	2007

Continued on next page

Table C.1 – *Continued from previous page*

Country	OECD	Name	Year Founded
Russian Federation	0	Export Insurance Agency of Russia	2011
Saudi Arabia	0	Saudi Arabia Export Program	1999
Saudi Arabia	0	Saudi Export Development Authority	2013
Senegal	0	Société Nationale d'Assurances du Crédit et du Cautionnement	1998
Serbia	0	Serbian Export Credit and Insurance Agency	2005
Singapore	0	Enterprise Singapore	2018
Slovak Republic	1	Export-Import Bank of the Slovak Republic	1997
Slovenia	1	Slovenska izvozna in razvojna banka	1992
South Africa	0	Export-Import Credit Insurance Corporation of South Africa	1957
Spain	1	Compañía Española de Seguros de Crédito a la Exportación (CESCE)	1970
Spain	1	Fondo para la Internationalización de la Empresa	2010
Sri Lanka	0	Sri Lanka Export Credit Insurance Corporation	1978
Sri Lanka	0	Sri Lanka Export Development Board (SLEDB)	1979
Sudan	0	National Agency for Insurance and Finance of Export	2005
Swaziland	0	Central Bank of Swaziland: Export Credit Guarantee Scheme	1990
Sweden	1	Exportkreditnämnden	1933
Sweden	1	Svensk Exportkredit	1962
Switzerland	1	Swiss Export Risk Insurance	2007
Taiwan	0	Export-Import Bank of the Republic of China	1979
Tanzania	0	Export Credit Guarantee Scheme	2002
Thailand	0	Export-Import Bank of Thailand	1993
Trinidad and Tobago	0	Export-Import Bank of Trinidad & Tobago	1997
Tunisia	0	Compagnie Tunisienne pour l'Assurance du Commerce Extérieur	1985
Turkey	1	Export Credit Bank of Turkey	1980
Ukraine	0	The State Export-Import Bank of Ukraine	1992
United Arab Emirates	0	Etihad Credit Insurance	2017
United Kingdom	1	Export Credits Guarantee Department (ECGD)/UK Export Finance	1919

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Table C.1 – *Continued from previous page*

Country	**OECD**	**Name**	**Year Founded**
United States	1	The Export Import Bank of the United States	1934
Uruguay	0	Banco de Seguros del Estado	1911
Uzbekistan	0	Uzbekinvest National Export-Import Insurance Company	1997
Viet Nam	0	Export Import Commercial Joint Stock Bank	1989
Viet Nam	0	The Vietnam Development Bank	2006
Zambia	0	Development Bank of Zambia	1972
Zimbabwe	0	Export Credit Guarantee Company of Zimbabwe	1999
Region		**Regional ECA**	
Africa	N/A	African Export-Import Bank	1993
Africa	N/A	African Trade and Investment Development Insurance (ATIDI)	2001

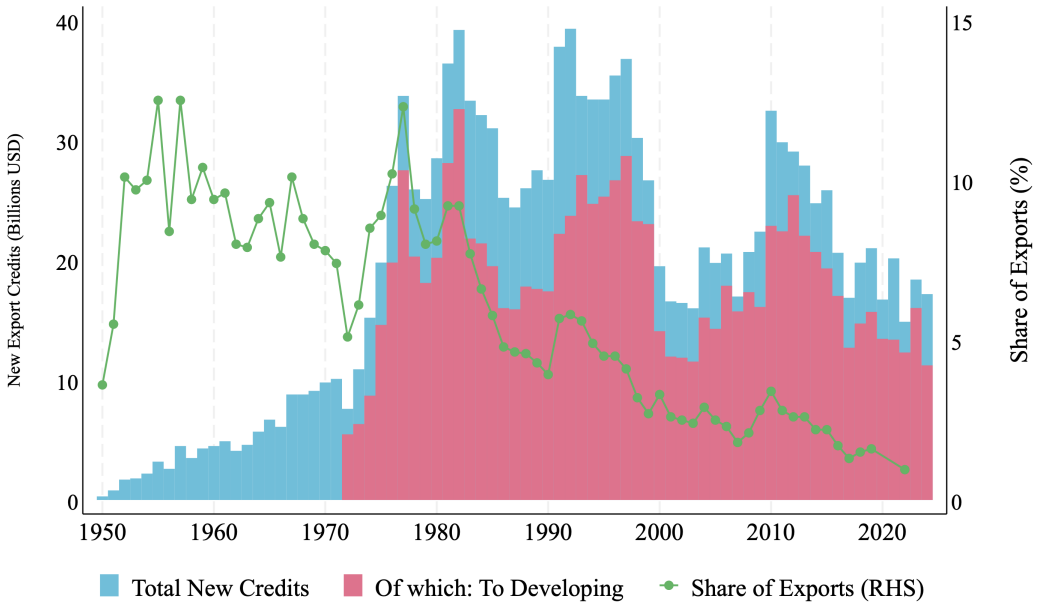
* Brazil is not a participant to the Arrangement, but joined the Aircraft Sector Understanding (ASU) in 2007.

** In 2017, Coface transferred all of its activity to Bpifrance, which now acts as the French ECA.

D. Political Risk and Officially-Provided Export Credits

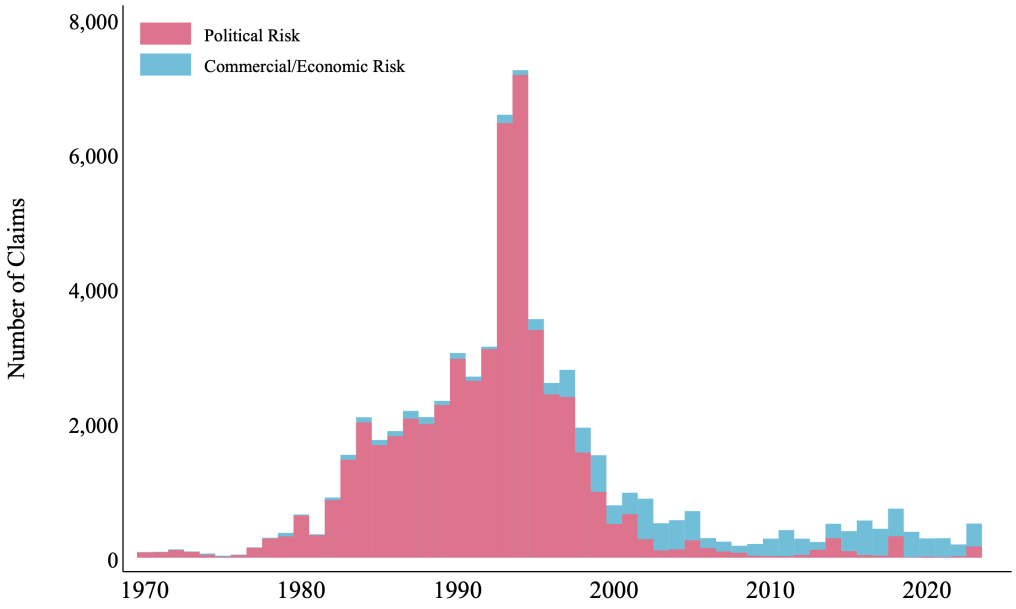
Evidence from major export credit agencies suggests that political risk is a major concern in ECA operations. Data from Germany indicate that export credit guarantees issued to protect firms against political risks—expropriation, coups, war, and similar disruptions—make up approximately 66% of exposures and actual claims paid. Figure D.2 shows the time series of export credits categorized by addressing political versus commercial risks, with a clear preponderance of political risks during most time periods. Matray, Müller, Xu and Kabir (2024) find that the contraction in trade caused by the shutdown of the US EXIM particularly affected trade to countries with high political risks. This specialization by ECAs reflects both the severity of political risks when they materialize and the fact that commercial risks are more likely to be covered by private sector providers when information and enforcement frictions are manageable, leaving ECAs to focus on the risks that private markets cannot efficiently handle.

Figure D.1: German Export Credit Guarantees, 1950–2024



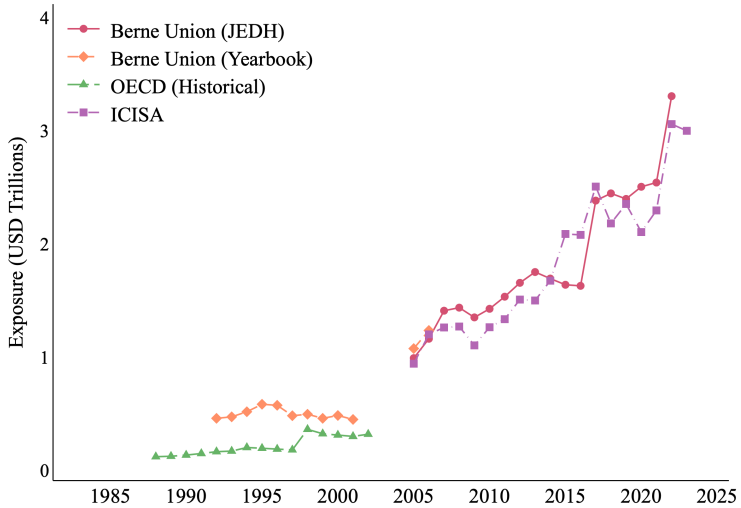
Note: This figure plots data on newly extended export guarantees by Euler Hermes, the German Export Credit Agency. We obtained the underlying annual reports data directly from Euler Hermes and manually digitized them. The blue bars represent the total volume of new export credit guarantees (left axis), while the red bars represent the portion allocated to developing countries. The green line plots the share of total German exports covered by guarantees (right axis).

FIGURE D.2: German Export Credit Claims by Risk Category, 1970–2022



Note: This figure plots the annual number of export credit insurance claims paid by Euler Hermes, the German Export Credit Agency, broken down by the cause of the loss. "Political Risk" (red) includes claims triggered by events such as war, civil unrest, expropriation, or transfer restrictions. "Commercial/Economic Risk" (blue) includes claims triggered by buyer insolvency or protracted default. The data are digitized from historical annual reports of Euler Hermes.

FIGURE D.3: Comparison of Global Export Credit Exposure Across Data Sources

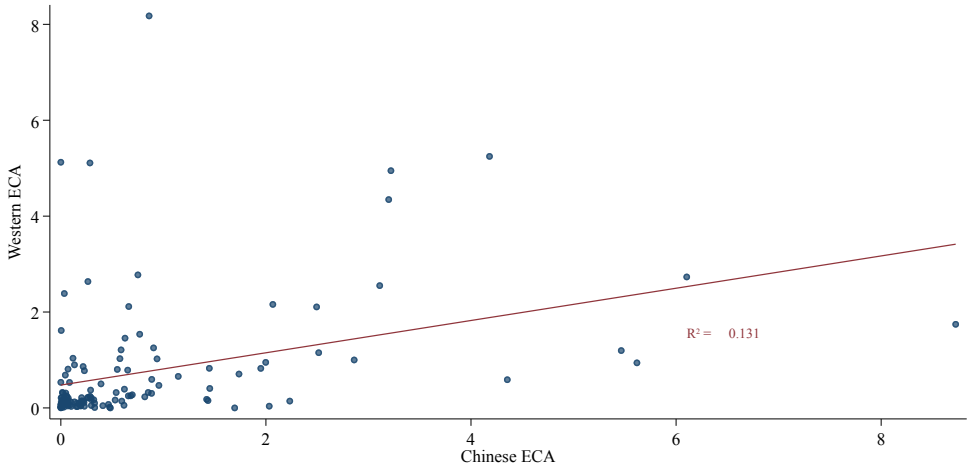


Note: This figure compares estimates of global outstanding export credit exposure derived from four distinct sources to validate the consistency of our data construction process. "Berne Union (JEDH)" plots data from the Joint External Debt Hub for 2005–2023. "Berne Union (Yearbook)" refers to data digitized from historical print editions of the Berne Union Yearbook for the period prior to JEDH coverage. "OECD (Historical)" plots aggregate export credit data from the OECD's External Debt Statistics publications (1988–2002). "ICISA" plots data from the International Credit Insurance & Surety Association (ICISA). The figure demonstrates that the data sources are highly consistent in the overlapping periods.

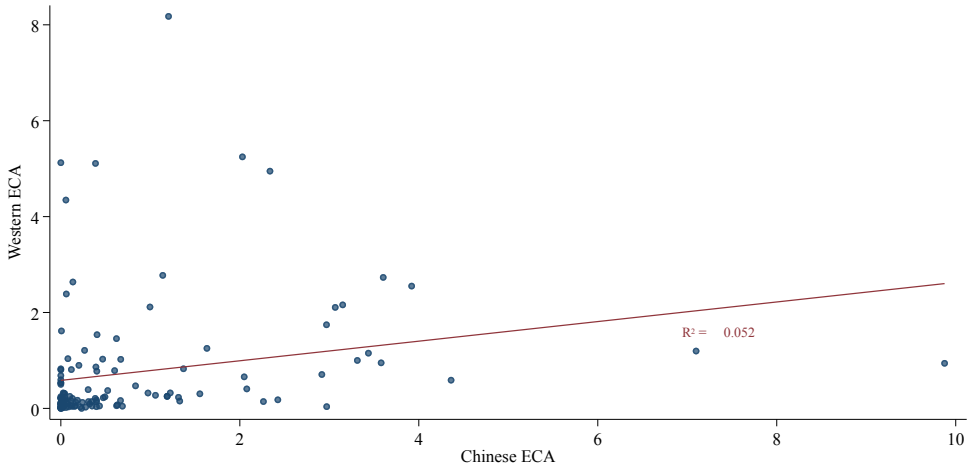
E. Additional Tables and Figures

FIGURE E.1: **Correlation Chinese vs. Western ECA Allocation, Share ECA**

(A) Using Chinese ECA broad definition



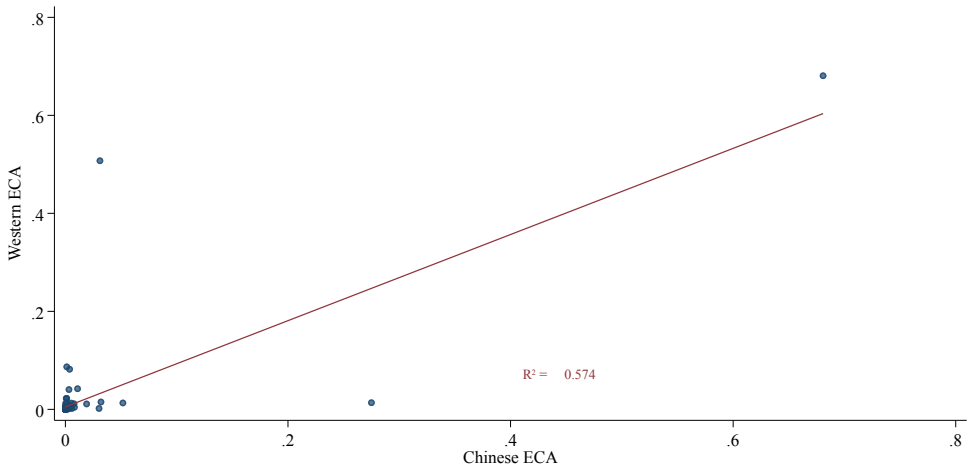
(B) Using Chinese ECA restricted definition



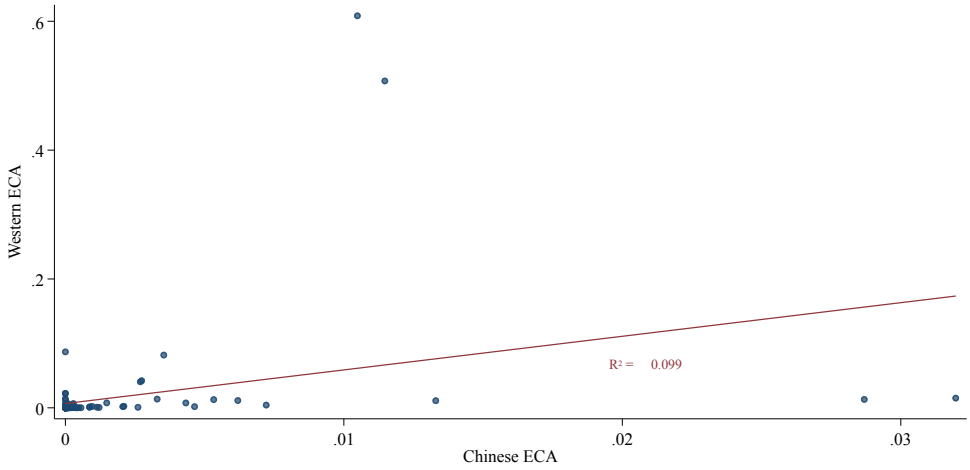
Note: Each panel plots a binscatter (100 quantile bins) of the Western ECA portfolio share against the Chinese ECA portfolio share across recipient countries, restricted to countries receiving positive ECA support from both Western and Chinese ECAs over 2000–2020. For each recipient country, s^{ECA}_{West} (resp. s^{ECA}_{China}) denotes the share of total Western (resp. Chinese) ECA commitments allocated to that country, aggregated over the period, expressed in percent. The left panel uses the broad definition of Chinese ECA commitments; the right panel uses the narrow definition. The regression line and slope coefficient $\hat{\beta}$ (with t-statistic clustered at the recipient-country level) are shown in each panel. Western ECAs include all OECD Arrangement members excluding Turkey.

FIGURE E.2: **Correlation Chinese vs. Western ECA Allocation, ECA scaled by Creditor External Debt**

(A) Using Chinese ECA broad definition



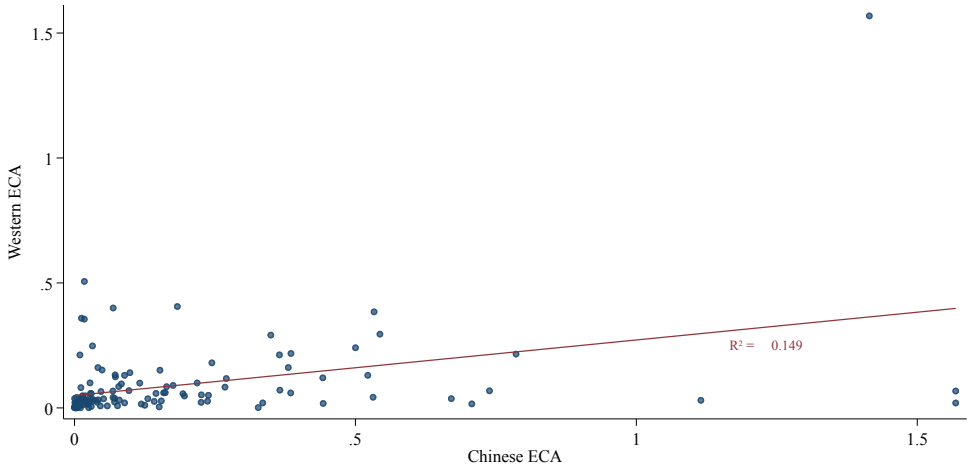
(B) Using Chinese ECA restricted definition



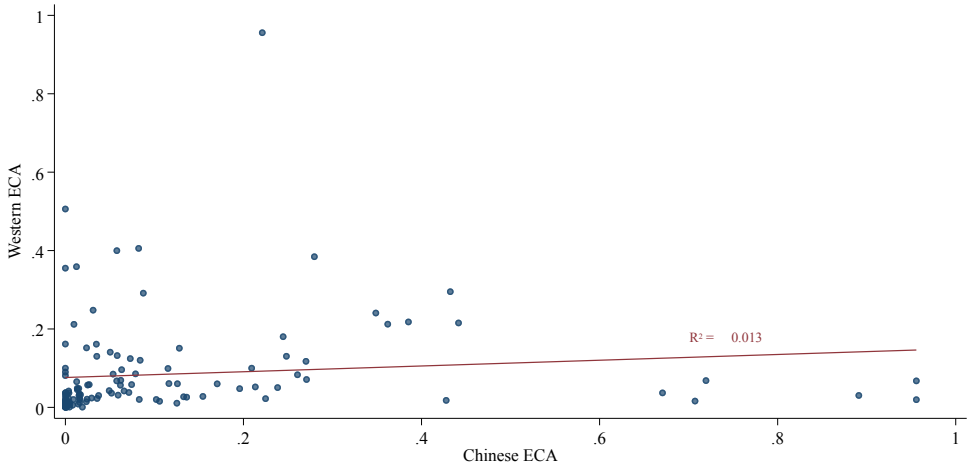
Note: Each panel plots a binscatter (100 quantile bins) of the Western ECA-to-government-debt ratio against the Chinese ECA-to-government-debt ratio across recipient countries, restricted to countries receiving positive ECA support from both Western and Chinese ECAs over 2000–2020. The left panel uses the broad definition of Chinese ECA commitments; the right panel uses the narrow definition. ECA commitments are aggregated over 2000–2020 and scaled by the recipient country's cumulative government debt over the same period. The regression line and slope coefficient $\hat{\beta}$ (with t-statistic clustered at the recipient-country level) are shown in each panel. Western ECAs include all OECD Arrangement members excluding Turkey. Chinese ECA flows broad (resp. narrow) definition includes [[AM: to complete]]; the narrow definition restricts to [[AM: to complete]].

FIGURE E.3: **Correlation Chinese vs. Western ECA Allocation, ECA scaled by Trade Flow**

(A) Broad definition of Chinese ECA



(B) Using Chinese ECA restricted definition



Note: Each panel plots a binscatter (100 quantile bins) of the Western ECA-to-government-debt ratio against the Chinese ECA-to-government-debt ratio across recipient countries, restricted to countries receiving positive ECA support from both Western and Chinese ECAs over 2000–2020. The left panel uses the broad definition of Chinese ECA commitments; the right panel uses the narrow definition. ECA commitments are aggregated over 2000–2020 and scaled by the recipient country's cumulative government debt over the same period. The regression line and slope coefficient $\hat{\beta}$ (with t-statistic clustered at the recipient-country level) are shown in each panel. Western ECAs include all OECD Arrangement members excluding Turkey.

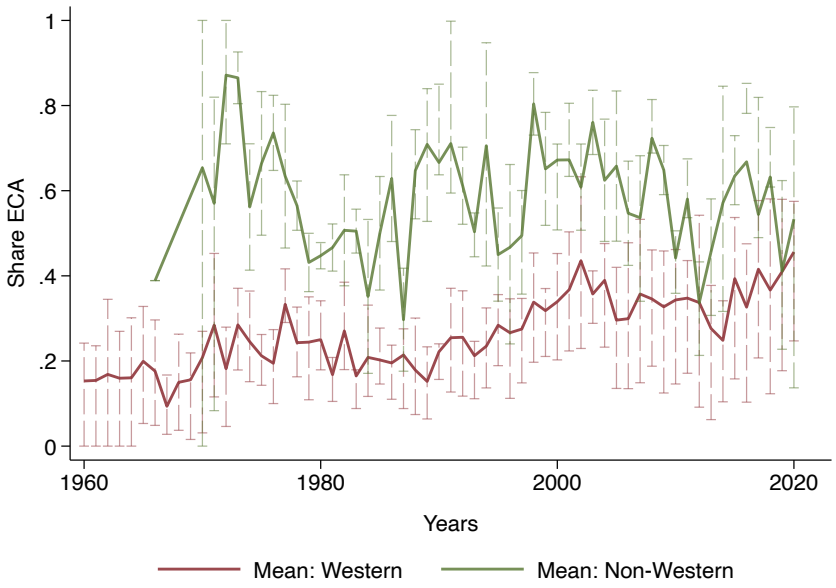
TABLE E.1: ECAs and Geopolitical Alignment, Extensive Margin

Dependent variable	$ECA_{o,d,t} > 0$							
Sample	Western creditors		Non-western creditors		All			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Geopolitical alignment$_{(o,d,t-1)}$	0.056***	0.021***	-0.00085	0.012***	0.021***			
	(0.0022)	(0.0022)	(0.0042)	(0.0040)	(0.0020)			
$\overline{\text{Geopolitical alignment}}_{(o,k-d,t-1)}$						0.053***	0.053***	0.051***
						(0.0037)	(0.0037)	(0.0037)
Var[$\overline{\text{Geopolitical alignment}}_{(o,k-d,t-1)}$]							-1.91**	
							(0.92)	
High Var[$\overline{\text{Geopolitical alignment}}_{(o,k-d,t-1)}$]								-0.016***
								(0.0022)
Fixed Effects								
Year	✓	✓	✓	✓	✓	✓	✓	✓
Creditor$_o$×Recipient$_d$	—	✓	—	✓	✓	✓	✓	✓
Controls								
Log($\widehat{Trade}_{(o,d,t-1)}$)	✓	✓	✓	✓	✓	✓	✓	✓
Observations	181,756	181,756	54,508	54,508	236,264	283,629	283,629	283,629
Mean LHS	0.87		0.95		0.89			

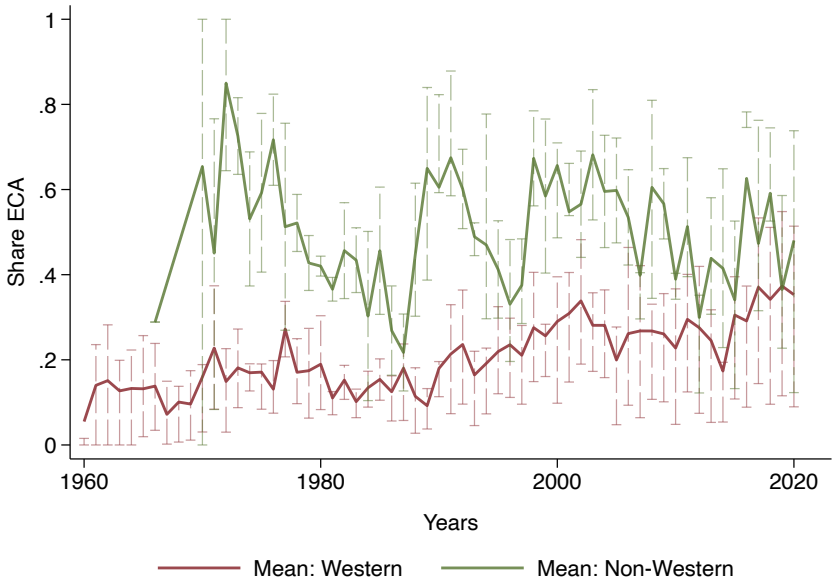
Notes: This table reports estimates on the effect of political alignment between country pairs and the likelihood of ECA financing from country o to country d over the period 1962–2022. $\overline{\text{Geopolitical alignment}}_{(o,k-d,t-1)}$ is the average geopolitical position between countries o and k, where k are a set of countries that belong to the same income group and geographical regions as focal country d, excluding country d. Var[$\overline{\text{Political alignment}}_{(o,k-d,t-1)}$] is the five year rolling window variance. *High Var*[$\overline{\text{Geopolitical alignment}}_{(o,k-d,t-1)}$] is a dummy that equal one if the variance is in the top tercile of the sample distribution. ECA suppliers are split between "Western" and "non-Western," where "Western" countries are the ones with a UN ideal point score that reflect countries sharing positions close to a U.S.-led liberal order (Bailey et al., 2017)). "Non-Western" countries are: China, India, Kuwait, Qatar, Saudi Arabia, Turkey and United Arab Emirates. "Western" countries are: Australia, Austria, Belgium, Canada, Czechia, Denmark, Finland, France, Germany, Greence, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Slovenia, Spain, Switzerland, United Kingdom and the United States. Standard errors are clustered at the country pair level and are reported in the line below the point estimate in parenthesis. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

FIGURE E.4: Share of Geopolitical Allies in Export Credits – Alternative Cut-Offs

(A) Close ally: Top tercile



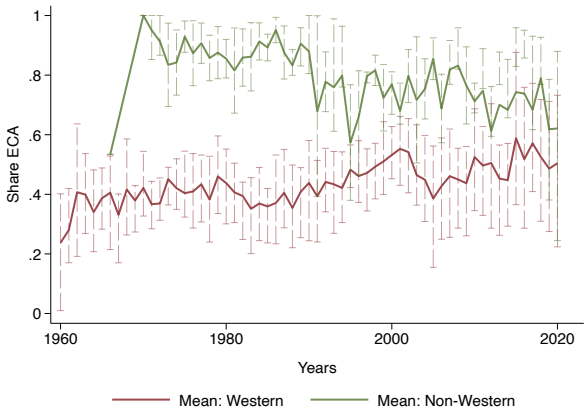
(B) Close ally: Top quartile



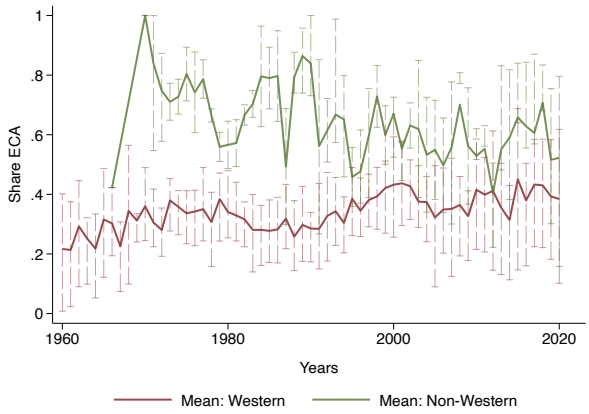
Notes: This figure shows the share of total ECA financing going to recipients having the closest political alignment to the respective ECA donor. Every year, we rank donor-recipient pairs based on their UN score, and define a recipient as an "ally" if its score is in the top tercile (panel a) or top quartile (panel b) of the country pair distribution. We then compute the total ECA financing going to allies and non-allies for each donor, and plot the average, first quartile, and last quartile of the distribution in the donor-year panel.

FIGURE E.5: Share of Geopolitical Allies in Export Credits – Time-Invariant Definition

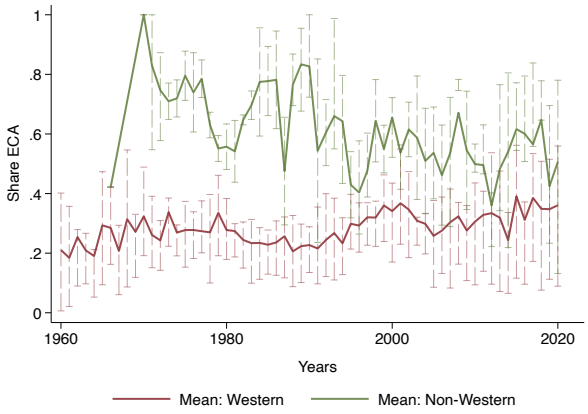
(A) Close ally: Above median



(B) Close ally: Top tercile

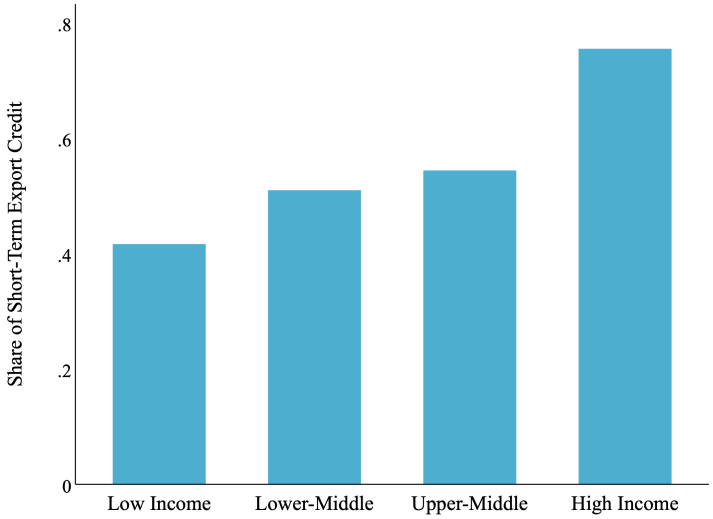


(C) Close ally: Top quartile



Notes: This figure shows the share of total ECA financing going to recipients having the closest political alignment to the respective ECA donor. For each donor-recipient pair, we compute the average UN score over the sample period. Then every year, we rank donor-recipient pairs based on their average UN score, and define a recipient as an "ally" if its score is above the median (panel a), in the top tercile (panel b) or top quartile (panel c) of the country pair distribution. We then compute the total ECA financing going to allies and non-allies for each donor, and plot the average, first quartile, and last quartile of the distribution in the donor-year panel.

FIGURE E.6: Short-term credit by Income Group



Note: This figure plots the average share of short-term credit in total credit exposure across recipient grouped by income level. The data on total credit exposure are collected from the Joint External Debt Hub (JEDH) and average over the period 2015-2023. Income classifications are from the World Bank.