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Cascading noncompliance: why the export credit regime is unraveling

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ABSTRACT

How does international cooperation erode? Recent work has probed the demise of international institutions, but we know little about the *process* by which cooperation unravels. We develop a novel account of how cooperation falters in informal club regimes. We use it to explain the current unraveling of the international Arrangement on publicly backed export finance, which until recently had successfully tamed price competition between member countries for several decades. We show that the emergence of China as a major export credit power operating outside the regime helped catalyze this shift, but the story is more complicated. While initial defectors from the regime were those most exposed to Chinese export competition, subsequent defectors increasingly responded not just to China but also to the primary defectors. Thus, the key driver of unraveling cooperation in the regime is not the emergence of an external competitor per se, but the competitive pressures this shock unleashes *within the agreement*. By shifting attention from state-level rationales for (non)compliance to system-level competitive dynamics, our analysis has important implications for theoretical understanding of how international regimes erode.

KEYWORDS

Case study; China; export competition; export credit; international cooperation; politics of finance

1. Introduction

How does international cooperation unravel? Can existing international regimes survive challenges from outsiders that are not bound by the rules of the regime? These are urgent questions in the study of global cooperation, given the rise of China and other emerging economies. In some issue areas, such as trade and financial regulation, emerging powers have been brought into rule-making processes, as with China's accession to the World Trade Organization and the expansion of the G20 in the aftermath of the 2009 global financial crisis. In other areas, however, emerging economies operate outside of the cooperative regimes that continue to be led largely by Western states. How existing institutions respond to competitive pressure from non-members is, thus, both a significant theoretical question for

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scholars of international cooperation and an urgent policy question for contemporary international institutions.

Recent work on international cooperation emphasizes factors that contribute to the likelihood of survival or erosion of cooperative regimes. Scholars point out that some institutions are more accommodating to power shifts than others (Lipscy, 2015, 2018), in part because the existence of alternative institutions in the same issue area can compel international organizations (IOs) to accommodate rising powers. Others draw attention to IOs languishing in inactivity (Gray, 2018) or being dismantled altogether (Eilstrup-Sangiovanni, 2018). Both economic shocks (Haftel et al., 2020) and leadership changes (Gray & Kucik, 2017) can slow and stymie compliance with international institutions.

While previous work has examined the failure and demise of international institutions, we know little about the *process* by which cooperation unravels. In this article, we add to this growing body of work by providing a novel explanation of how international cooperation unravels: uneven exposure to competition from a challenger *outside* the regime sparks a spiral of competition *inside* the regime, a process we refer to as 'cascading noncompliance'. We focus on the study of international 'clubs', regimes with non-universal membership that are typically premised on bringing together the largest, most significant or most like-minded states on a given issue, with the rationale that cooperation should be easier and more effective among this small group. Like others (Lipscy, 2015), we emphasize that a club initially containing all the key players may find itself increasingly irrelevant when other states increase in wealth or global influence but remain outside the club.

However, we argue that the presence of outside competition alone is not necessarily enough to erode the functioning of a club. Instead, we draw on the literature on new interdependence (Farrell & Newman, 2016; Oatley, 2019) to argue that an outsider places *uneven* pressure on members of the club. Since countries are differentially integrated into the international system, the competitive effects of an outsider to the club is unevenly distributed among the club's membership. Those who are most closely integrated with and exposed to the rising non-member face the greatest costs from continuing to adhere to the rules of the club, and are the first to weaken their adherence to the club's rules. Once these primary defectors weaken their attachment to the regime, competition quickly spreads among the members of the club. As an increasing number of members deviate from the rules and expectations of the club, the remaining members face ever higher costs from compliance. This dynamic incentivizes these secondary defectors to increasingly stop complying as well.

We develop this argument within the context of a critical but understudied area of international economic cooperation: public support for export finance. Public and publicly backed export credit agencies (ECAs) provide loans and guarantees to support domestic firms exporting abroad, particularly in cases where private financing is unavailable or too expensive. Competing with one another for access to export markets, governments risk over-subsidizing export credit to sway purchasing decisions in a ruinous 'race to the bottom'. To avoid this outcome, countries with the largest ECAs have cooperated since the 1970s through an informal regime to limit the over-subsidization of export finance (Moravcsik, 1989). The agreement sets minimum interest rates and maximum loan maturities and standardizes the fees that ECAs can charge, and intends to eliminate price competition between ECAs and instead leave exporters competing on quality and expertise. The agreement worked well historically, effectively tamping down competition among member ECAs (Levit, 2004). Today, however, China has upended the landscape of export finance (Hopewell, 2019). Since China is not a party to the agreement on export credits, it is free to undercut the price floor designed to limit competition in export finance, giving Chinese firms an advantage over competitor exporters.

Using interviews with export finance officials and industry reports, we demonstrate that the cooperative export finance regime is unraveling following predictable patterns of cascading noncompliance. Members of the regime that were most exposed to Chinese competition – Japan and South Korea – were the first to deviate from the norms of the institution. Competition then spread from these early defectors throughout the agreement, as countries faced competition from fellow members offering more attractive export finance, kicking off a spiral of noncompliance. The result is that the previously functioning export credit regime is unraveling, and becoming less and less relevant in managing this critical area of international economic relations.

This article makes three contributions. First, we build on the growing literature on the demise of international institutions (Eilstrup-Sangiovanni, 2018; Gray, 2018) to better understand the *process* of how cooperative international regimes unravel (Seddon, 2020). While we develop our argument in the context of the export credit regime, our insights on (non)cooperation and (non)compliance are relevant to a broader set of international institutions with similar characteristics. Specifically, we expect to observe similar dynamics in other international clubs that are *informal* agreements, with no binding commitments on members under international law (Roger, 2020; Vabulas & Snidal, 2013). Rather than relying on formal enforcement mechanisms, these informal IOs rely on 'explicitly shared expectations' and states' joint interests to foster compliance with agreed provisions (Vabulas & Snidal, 2013, p. 197). The flexibility of informal IOs is precisely intended to accommodate a range of preferences in its nonbinding commitments. Under such conditions, states are incentivized to incrementally deviate from the norms of the agreement, rather than undertaking the more public and costlier process of formally exiting the club. This allows competition to spread among members of the agreement with limited means to reverse the ratcheting of noncompliance. Other informal clubs – such as the Paris Club on debt restructuring – may similarly find themselves exposed to pressure from non-members, with the effects rippling through the membership.

Second, we shed light on contemporary developments in export finance, a crucial feature of the global economy that only recently received renewed attention in the international political economy literature (Blackmon, 2014, 2017; Hopewell, 2017, 2019). State-backed export credit agencies are economically important; as of 2019 there are some 115 public ECAs providing over $220 billion in medium- and long-term financing (US EXIM, 2020). As Moravcsik (1989, p. 176) puts it, export credit is 'the financial lubricant that keeps the international trade system going'. Recent work identified the disruptive effect of China on the governance of export finance (Hopewell, 2019); we go beyond this to identify how the reactions of other export credit agencies is unraveling the regime.

Third, our argument contributes to recent scholarship on the consequences of China's rise for global governance. Much work is concerned with the direct consequences of China's behavior in the international arena, with the concern that

China's alternate approaches could undermine global standards in intellectual property rights, environmental protection and debt and foreign aid (Bunte, 2018; Serrano, 2016; Zeitz, 2021). We show, however, that China's rise may also have indirect consequences for international cooperation, since it can set off mutual competition among previously cooperative states.

2. The evolution of international cooperation on export finance

2.1. What is export finance and how is it governed?

Export credit agencies facilitate cross-border purchases.[1] They provide loans, insurance and guarantees, particularly for large sales such as aircraft and complex projects such as infrastructure investments. Such financing is often difficult for importers to obtain in the private market, as private banks may be reluctant to extend large loans with long maturities to foreign buyers whose creditworthiness may be difficult to ascertain. Today all advanced economies have at least one public or publicly backed ECA.[2] ECA financing can facilitate export deals that would otherwise not be completed, thereby supporting domestic job creation and allowing foreign governments to access critical technology that would otherwise be out of reach.

Public ECAs face a core tension, however. On the one hand, they want to provide financing on attractive terms, helping exporters to win contracts over competing offers. On the other hand, if ECA financing is priced too aggressively, the agencies would lose money, with such sums ultimately needing to be paid for with taxpayers' money. In the absence of any coordination to tame competition, ECAs in the 1970s found themselves caught in an arms race of ever-increasing export subsidies contributing to budget deficits. In the 1980s, the US Treasury Department estimated that OECD governments collectively paid between $15 and $20 billion per year in direct subsidy costs of export credits (Kohler & Reiter, 1986, p. 2).

For this reason, a group of advanced economies coordinated to limit competition on export credits.[3] The centerpiece of this regime is the Arrangement on Guidelines for Officially Supported Export Credits, originally agreed in 1978 through the OECD (1998) and known colloquially as 'The Arrangement'.[4] The Arrangement 'seeks to prevent an export credit race' in which exporters gain market share on the back of subsidized finance provided by their home country governments and instead aims to establish a level playing field among exporters (OECD, 2021). The key norm and principle animating the regime is that variation in the terms and price of official export finance should not influence purchasing decisions.

The Arrangement was never formalized as a treaty and is explicitly referred to in-text as a 'Gentleman's Agreement among the Participants' (OECD, 2021, p. 1), i.e. it is not legally binding. It relies on the benefits it generates for members – lowering the cost of subsidizing their exports by restricting price competition – to sustain compliance; there are no enforcement mechanisms (Moravcsik, 1989). Nonetheless, the export credit regime has, until recently, been quite successful. Between the 1970s and early 2000s, virtually all ECAs exhibited near unanimous and consistent compliance to the Arrangement (Levit, 2004). The problem of over-subsidizing export credits was largely solved, and indeed many ECAs in fact turned a profit for their governments.

2.2. China's rise and the governance of export finance

This landscape of export finance changed considerably with the emergence of China as the world's largest supplier of export credits (Blackmon, 2014; Bunte, 2019; Bunte et al., 2018; Hopewell, 2017, 2019; Kinne & Bunte, 2020). China's two primary ECAs, the Export-Import Bank of China (China EXIM) and the China Export & Credit Insurance Corporation (SINOSURE) provided a combined $64 billion in export credit in 2018 (US EXIM, 2019).

China is not party to the Arrangement, and thus, not bound by its rules to prevent price competition. In fact, China EXIM explicitly advertises that it sets its interest rates just below those of the Arrangement for strategic borrowers (China EXIM Bank, 2017, p. 1). China's position outside the OECD Arrangement also allows it to avoid other strictures in its export credits. As a representative of the US EXIM bank pointed out, '[T]he Chinese are more generous with grace periods. […] But the big difference is funding available in unlimited amounts, and without conditions such as on bribery, the environment or human rights'.[5] Hopewell (2019) documents in detail how Chinese export credit lending violates the norms and expectations of the regime and undercuts the terms of the Arrangement.

Western ECAs view this new competition with alarm. A US diplomatic cable from 2007 from the Embassy in Ghana notes, 'China competes aggressively with the US and others for deals with the Government of Ghana, often to the frustration of US businesses. Because China is not bound by the OECD Export Credit Agency agreement nor international norms concerning labor rights, environmental protection and corruption, the *playing field is not level*'.[6]

Against this background, existing members of the regime cooperating on export credit have repeatedly sought to incorporate China. After several years of informal consultations, US President Obama and Chinese Vice President Xi Jinping agreed in 2012 to open formal talks on export credit, with the goal of reaching a deal by 2014 (Palmer, 2012). This effort, which brought together Arrangement members and emerging market ECAs, came to be known as the International Working Group (IWG) on export credits.

However, progress at the IWG quickly stalled. It appears that China never agreed to the underlying principle behind the regime, namely the prevention of price competition. By 2014, an internal European Union assessment noted that 'A real problem [with the IWG] at this stage is […] the fact that the activities of the working group are for the time being very much driven by its OECD participants. With the exception of South Africa and Turkey, many non-OECD participants are rather cautious when it comes to making active contributions' (European Commission, 2014, p. 4). A 2018 survey of export credit professionals found that only 13% believed the IWG had made any progress, 23% suggested there had been no progress, while a full 64% were not even aware of what the IWG was (Thompson, 2019). In November 2020, several members of the IWG declared they were effectively suspending negotiations, since the 'positions of the members of the IWG remain significantly divergent with response to commitments on […] core issues, transparency in particular' (Stylianou et al., 2020, p. 1). There is little prospect for any significant cooperation through the IWG.

2.3. The unraveling of the export finance regime

While the IWG has struggled to get off the ground, the OECD Arrangement has been quietly unraveling. Multiple sources indicate that member ECAs have begun to compete aggressively to secure contracts for their home country firms, by offering ever more attractive financing packages. The Business & Industry Advisory Committee to the OECD (2018, p. 3) notes increasing 'unfair competition within the OECD [that] dilutes the benefits and merits of the OECD Arrangement'. A Danish ECA official offers a stark view on the future of the export credit regime, saying, 'a system that has functioned well and delivered as intended is at risk of disintegrating' (Søndergaard-Jensen, 2019, p. 427).

This shift can be partly attributed to the rise of China as a key player operating outside the regime. As the Canadian export credit agency recently noted, the 'emergence of Asian ECAs, notably in China … has invoked a response by other countries to adopt more aggressive trade promotion as the playing field becomes increasingly competitive' (EDC, 2018a, p. 25).

Yet the competitive dynamic among ECAs today is not solely about the threat from Chinese financing. Instead competition increasingly occurs within the Arrangement. As a high-ranking official from the US Export Import (EXIM) told us, 'War has broken out among ECAs. […] Western ECAs are competing very hard against one another, and trying to steal US exports right and left'.[7] Evidence from within developing countries also supports this view. An interviewee in the Ministry of Finance in Ghana noted, 'the huge amounts of money that the emerging donors are throwing about and how it is linked to their own firms is leading traditional donors to change their approach, to also consider their own firms'.[8] In Kenya, a debt management official observed, 'What we have seen changing is the element of creditors supporting their local companies through ECAs, for instance, Spain, Belgium … *The China model creates circumstances that other creditors are responding to*'.[9]

We want to emphasize the importance of this latter point: China's emergence as a key competitor and the direct response by Western institution to China's efforts is increasingly well understood (Hopewell, 2019). What is less well known, however, is how other ECAs are responding to each other against the background of China's rise. This is crucial if we want to understand whether it is possible to maintain compliance within the export credit regime, despite the rise of an outside challenger. Moreover, it opens the possibility for developing a theoretical account of the process by which competition from a non-member erodes the compliance of members of a cooperative arrangement

3. Applying existing explanations of cooperation breakdown to export finance

What explains the unraveling of the export credit regime? We first consider several existing explanations for breakdown from the literature on international cooperation, yet find these offer only an incomplete explanation of the particular case of export credits.

One initial potential explanation suggests that international cooperative agreements fail if they have outlived their original mandate (Colgan, 2014; Wallander, 2000). Boin et al. (2010) argue that cooperative features of institutions and agreements lose traction as the international environment changes. However, we doubt that this could explain the unraveling of the export credit regime. The underlying issue of price competition in export finance has not disappeared; quite the opposite, as export credits still exist and are actively used. In times of increasing globalization and cross-border trade, both the number of ECAs and the volume of export credits they provide have increased over the past 20 years.

A second explanation for failing international cooperation focuses on the design and language of cooperative agreements. This approach suggests that agreements with vague mandates are more likely to fail than those with specific rules. If treaty language is unclear and imprecise, 'there will be a considerable range within which parties may reasonably adopt differing positions as to the meaning of the relevant treaty language' (Chayes & Chayes, 1995, p. 11). Differences in interpretation may subsequently lead to members abandoning the institution. In an empirical examination of this approach, Eilstrup-Sangiovanni (2018) confirms that international institutions with clearly defined technical or scientific focus have the lowest likelihood of failure. Yet again we find this an unsatisfying explanation for the export credit regime. Even though the Arrangement is not a formal, treaty-based agreement, the mandate of the Arrangement is clear and the associated expectations are precise. Furthermore, these rules have not changed significantly over time. It is difficult, then, to square the stability in rules with the fact that the regime was successful between the 1970s and 2000s, but began to erode in the 2010s.

A third potential explanation for the erosion of international cooperation concerns diminished bureaucratic capacity of the international institution administering the regime. Studies point to the importance of well-funded secretariats and sufficient bureaucratic capacity for the functioning of international organizations (Gray, 2018; Haftel & Thompson, 2006). Without adequate resources, an organization can languish over time, persisting in name but achieving little in practice, and ultimately having marginal influence on world politics. This explanation does not match the dynamics of the export credit regime, however. Indeed, the Arrangement has never had a substantial secretariat, instead relying on minimal secretarial support from the staff of the OECD. This was the case both when the Arrangement was working effectively from the 1970s to the mid-2000s as well as since the mid-2000s when the regime began eroding.

A fourth account for faltering cooperation focuses on economic shocks. Haftel et al. (2020) suggest regional economic cooperation often stagnates in the immediate aftermath of a crisis, but then strengthens over the longer term. The members of the Arrangement did face a shared economic shock in the form of the 2008–2009 global financial crisis. As Blackmon (2016) describes, this crisis significantly impacted ECAs' operations, with many increasing their capacity to support exports, particularly in the form of short term credit, an area which previously was largely filled by the private sector. Yet this does not appear to explain the unraveling of the regime. As noted below, early moves outside the regime pre-date the financial crisis – both Japan and Korea were adjusting to China's rise in the mid-2000s. Moreover, as Blackmon (2016, p. 314) argues, the crisis was addressed through coordination; she finds 'states changed the financing structures of their

ECAs in order to stop the severe declines in trade during the crisis, but they maintained the traditional role of ECAs as insurers of last resort' (312). In other words, ECAs' response to the financial crisis was broadly in line with the spirit of the Arrangement to keep a level playing field; the unraveling of the regime, which only became widespread in the late 2010s, was driven by a distinct competitive dynamic.

A final potential explanation focuses on the behavior of the United States, the central actor in establishing the export credit arrangement. One common explanation for regime breakdown is the decline of a hegemon who becomes unable or unwilling to sustain the regime. This derives from the role that a hegemonic state can play in encouraging or inducing compliance with the rules of a regime by offering side payments, making compromises and threatening punishment (Krasner, 1976). Indeed, the United States played the leading role in establishing the export credit regime through precisely such tools, including applying financial pressure to holdout states in the 1980s (Moravcsik, 1989). The converse of this account implies that the withdrawal of a leading state can precipitate the collapse of international cooperation (Borzyskowski & Vabulas, 2019).

Indeed, the lack of U.S. leadership perhaps did play some role in the decline of the regime. Hopewell (2017) traces the ascendance of the Tea Party within the Republican party in the early 2010s, and their ideological focus on constraining the US EXIM bank. As a result, Republican congressional opposition hampered the operations of the EXIM bank for several years, for example by refusing to appoint Board members to fill vacant seats on the EXIM Board, leaving the EXIM Bank without the necessary quorum to extend loans of more than $10 million. A weakening of the US EXIM Bank likely somewhat undercut the US' role as an international leader in the governance of export finance.

However, it too is an incomplete explanation for the erosion of the export credit regime. If breakdown was caused by the retreat of the hegemon, we would expect many regime members to defect simultaneously shortly after US EXIM was restricted. But Japan and Korea defected before the US retreat, and other members did not withdraw simultaneously, but rather in a sequential pattern, with noncompliance spreading from initial defectors to other regime members in following years. Furthermore, recently the US government has reversed its position, highlighting that US domestic political dynamics – even within the Republican Party – are not uniformly opposed to the EXIM Bank (Bunte & Gray, 2021). President Donald Trump's anti-China and pro-US business agenda renewed support for the EXIM Bank. In 2019, Congress approved and President Trump signed legislation to re-authorize the EXIM Bank, in a move that Kimberly Reed, EXIM Bank president, described as 'a major victory for our nation and for keeping America strong [and] to focus on the important economic and national security challenges posed by China' (U.S. Export Import Bank, 2019, p. 1). Yet the revitalization of US EXIM has not resolved the competitive tensions within the regime. Thus, the pattern of diminished compliance does not match a story of hegemonic departure.

4. A new explanation: cascading noncompliance

Given the limits of existing accounts in explaining the decline of the export credit regime, we introduce an alternative explanation: cascading noncompliance. Our explanation draws on the literature on power transitions and international cooperation, the features of minilateral or club IOs, and recent work on complex interdependence.

Waves of scholarship suggest that transitions in the global distribution of wealth and power among states can have disruptive effects for international cooperation. In a recent contribution, Lipscy demonstrates that international organizations vary in the extent to which they accommodate the interests of rising powers, granting them greater influence within the organization in line with the country's increased international clout. When an issue area allows for the proliferation of international institutions, then individual institutions have incentives to accommodate rising powers' demands for influence to prevent defections to competitor institutions and remain a relevant international forum (Lipscy, 2015). This argument, however, applies to the effects of power transitions on institutions in which the rising power is already a member of the regime and is seeking greater influence or voice. What happens when the rising power is content to remain outside the institution, as in the case of the export finance regime? How do members respond?

Instances where rising powers are not members of an international institution are likely to be ones where the institution was established on a minilateral or club basis with a restricted membership (Kahler, 1992). International organizations with a membership made up of a subset of the world's states often strive to include the most relevant states in an issue area, whether these are the largest economies, biggest polluters or main producers of a given commodity (Gilligan, 2004). When a country increases in economic size, pollutes more or discovers reserves of a commodity, it might find itself outside of a club in which it ought to be a member. If there are few incentives for the outsider to join, the institution may struggle to remain relevant.

To understand the effects of this absence of the rising power on the existing members, we draw on the literature on new or complex interdependence (Farrell & Newman, 2016; Jones & Zeitz, 2019; Oatley, 2019). This literature emphasizes that while processes of globalization have broadly created closer relationships of economic integration, the depth and nature of that integration vary enormously across countries. Due to the huge variety of bilateral relations – trade partnerships, lending, foreign investment or migration – states vary in the intensity of their connection to other states. In turn, states vary in the extent to which their policy choices are affected by the choices of others. This implies that not all members are equally affected by an outside challenger that is not bound by the rules of the club. In the context of the export credit regime we thus, expect that members' behavior reflects their differential exposure to Chinese competition.

4.1. Primary defectors

Previous work on the effects of international cooperation has demonstrated that the costs and benefits of adhering to the rules of an agreement differ across members (Allee & Scalera, 2012; Eicher & Henn, 2011). This is also true for the costs that members face from non-members' behavior. In the context of the Arrangement, we expect states whose firms more directly compete with Chinese firms to be the ones most disadvantaged by China's absence from the Arrangement. In other words, while China's export finance policy has spillover effects for all countries, they are greatest for those countries that compete directly with China for export markets. We expect that these countries are the first to stop complying with the norms of the Arrangement.

The Arrangement includes an escape clause that in principle could allow these most-exposed countries to compete with China while still upholding the overall norms of the regime: members are allowed to match the financing terms of non-compliant financing on specific deals, so long as they can document the competing offer sheet they are matching.[10] In practice this latter restriction has proven difficult; since the terms of Chinese financing are often opaque, Arrangement ECAs lack clear documentation they could show to their peers to justify invoking the matching clause. While data are hard to come by, one high level US EXIM recently told us Arrangement members had only invoked the matching clause at most a handful of times.[11]

The ECAs facing Chinese pressure are not invoking the escape clause to match Chinese terms, nor are they opting to exit the regime altogether. Instead, they are moving away from the shared expectation of the level playing field, and looking for competitive edge to keep up with China. Since the Arrangement has few formal mechanisms to censure members who do not comply, it is easiest for these countries to quietly move their financing outside the strictures of the regime, breaking with the central norm of standardizing financing terms, rather than officially exiting the Arrangement.

4.2. Secondary defectors

Once the Primary Defectors begin moving outside the regime, their actions influence the remaining members. Even members who are not directly exposed to outsider competition may be indirectly affected through the behavior of Primary Defectors, to which they are very likely to be exposed. After all, the design of the Arrangement is explicitly designed to constrain the behavior of countries with the largest export finance portfolios. Moreover, the advanced industrial economies that make up the Arrangement share many of the same export markets, meaning that Primary Defectors' deviation from the Arrangement could give them a considerable competitive advantage over remaining members. Therefore, once Primary Defectors stop complying with the rules of the Arrangement, they impose significant costs on the remaining members of the Arrangement. In turn, these remaining members of the Arrangement may choose to move outside the Arrangement. We refer to these states as the Secondary Defectors.

This second stage of the process differs from the first stage in two important ways. First, the threat to the Secondary Defectors does not originate from outside the regime, but is internal. Secondary Defectors may have only moderate exposure to China, but still face competition from states that are not fully compliant with the regime – the Primary Defectors. Second, unlike the first stage where only a small subset of states faced higher costs from compliance, over time all member states begin to face increased costs of compliance as competition cascades throughout the regime. As the standards of the international agreement are undercut by an increasing number of ECAs, the remaining ECAs re-evaluate their own commitment to these same standards.

These decisions by individual governments result in a negative feedback loop at the systemic level. Ultimately, the emergence of an outside challenger sets off a self-reinforcing dynamic. Once states begin defecting from the club due to outside competition, this competition shifts inside the regime, resulting in the process of cascading noncompliance.

4.3. Observable implications

Our explanation detailed above suggests two observable implications, which we assess in the remainder of this article:

1. Compliance with the regime should be high prior to the rise of an outside challenger, at which point countries most exposed to outside competition should be the earliest defectors. In contrast to the alternative explanation focusing on the withdrawal of the hegemon, we expect the Primary Defectors to be those most exposed to China, even if they are relatively small members of the regime.
2. Incentives to defect spread beyond those states initially highly exposed to the outside competitor. We should see a sequence of defection where primary defections breed secondary defections. The actions of the Secondary Defectors should be motivated by responding to Primary Defectors, not the original competitor outside of the regime.

5. Methodological approach

Given that our theory relies on changes in the calculations made by individual governments, we choose the approach of a single case study to shed light on the question of how actors' incentives to participate in international cooperation change over time. As Gerring (2009, p. 45) notes, 'when studying decisional behavior, case study research may offer insight into the intentions, the reasoning capabilities and the information-processing procedures of the actors involved in a given setting'.

To address the challenge of recreating the motivations of actors in small bureaucracies far out of the public eye, we draw on four types of information to triangulate our findings across multiple sources. First, we conducted elite interviews with employees of two export credit agencies, US EXIM and Export Development Canada (EDC). US EXIM is an actor with a prominent interest in the survival of the regime, it has played a key role in helping to establish and uphold the regime over decades. EDC is one of the potential defectors of the export credit regime, with moderate exposure to China but in competition with many other ECAs within the regime. We also conducted several interviews in two borrower countries, Ghana and Kenya, to understand how export credit competition is viewed from the importer's perspective. All interviews were conducted using a semi-structured script with open-ended questions about the changes in the international environment faced by their organizations. Second, we consulted the official documentation and annual reports released by several export credit agencies, as well as the marketing materials used to advertise their services to potential customers. Third, we drew on expert reports by practitioners and other published secondary sources and industry news reports. Lastly, where available, we draw on internal memos and diplomatic cables prepared by governments related to export credit competition.

6. Analyzing the unraveling of the export finance regime

6.1. Initial compliance until early 2000s

Our starting point is that the export credit regime was remarkably successful for its first several decades. Levit (2004, pp. 67–68) marshals an array of evidence to demonstrate that 'the Arrangement achieves what much formal international law has not: deep, sustained compliance–even obedience–among its constituents'. Based on a comprehensive coding of member ECAs' behavior, as late as 2003 Levit suggests near total compliance with the various rules and regulations of the Arrangement. This account aligns with those of practitioners. A former US EXIM official noted in an interview 'By and large it has worked really well. The Arrangement tamped down on governments going hog wild on subsidizing exports'.[12] Canadian officials likewise agreed the Arrangement had been successful, and 'provided a good platform'.[13]

More recently, however, there are signs the regime is weakening. Whereas in more formalized and legalized IOs noncompliance may take the form of explicit withdrawals and denunciations (Borzyskowski & Vabulas, 2019), in informal institutions the process of cooperation unraveling is likely to occur below the radar, and may not initially be obvious to casual outside observers. As Vabulas and Snidal (2013) argue, 'because they are informal, IIGOs [informal inter-governmental organizations] may fade away over time more frequently than FIGOs [formal inter-governmental organizations]'. The unraveling of informal regimes may happen not with a bang, but with a whimper.

Unlike other international regimes in crisis, such as the International Center for Settlement of Investment Disputes (ICSID), no members of the Arrangement have explicitly denounced the agreement or announced withdrawal. Members are also not explicitly breaking with the established rules of the Arrangement, such as exceeding the floor for interest rates or maximum loan maturities. Indeed, we are not aware of any member publicly stating that the export credit regime is too constraining of states' policy space, unlike what occurred at the World Trade Organization (WTO). Instead, almost all ECA officials appear to be concerned about the prospect of the regime weakening, and argue the regime should be strengthened and reinvigorated (see Søndergaard-Jensen, 2019; TXF Global 2019, 2019; US EXIM, 2018, 2019).

6.2. Erosion of the agreement

Despite these concerns, however, members are eroding the regime – just not in obvious or explicit ways. ECAs are no longer complying with the explicitly shared expectation of the regime, namely to create a level playing field in export financing conditions so that export sales are determined on the basis of quality and price, rather than their financing terms. Members are acting in ways not specifically prohibited by the Arrangement but which nonetheless serve to out-compete other ECAs, constituting informal noncompliance with the regime. As a private banker working in export finance put it, a 'trade war has been simmering for the last three or four years, and it has been quite covert, under the surface. It's been the sort of

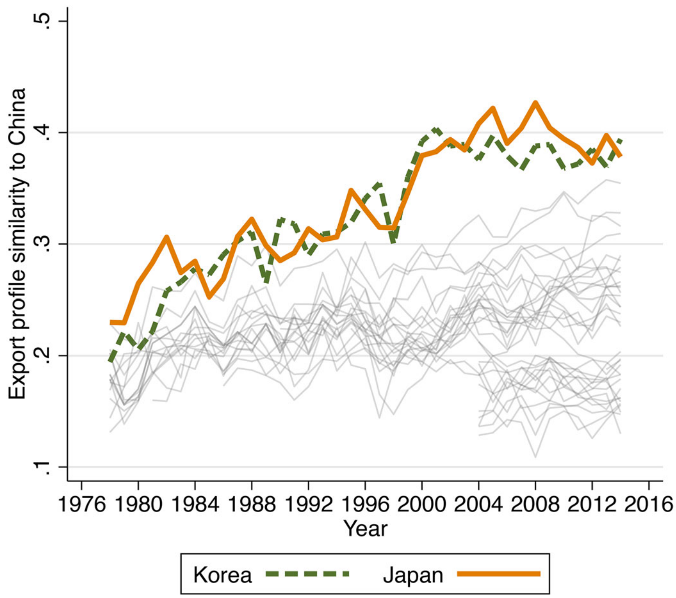

Figure 1. Exposure of Arrangement members to competition from China.

competition between ECAs that we have seen where national interests are promoted' (Manders, 2018, p. 5).

Broadly speaking, this occurs in two ways. First, ECAs are adjusting internal policies to gain a competitive edge. For instance, one important such policy is the level of domestic content required for a transaction to be eligible for official export credit support. Historically these requirements have been relatively high, to ensure that government-backed export credits are in fact benefiting domestic rather than foreign firms.[14] Increasingly, however, Arrangement members are lowering domestic content requirements, allowing them to offer financing to a much broader pool of potential projects (Dawar, 2020; US EXIM, 2018).

Additionally, and more importantly, ECAs have begun to offer financial products not explicitly covered by the Arrangement, such as market window, investment and untied programs. These products provide ECAs greater flexibility, since they technically fall outside the agreed-upon rules to limit competition. In practice, however, such trade-related financing serves a similar function as official ECA activity, but without the strictures of the Arrangement. This move outside the confines of the Arrangement leads to greater competition, and away from the level playing field to which ECAs have committed themselves.

US EXIM estimates that the share of total global trade-related finance activity covered by the OECD Arrangement fell from close to 100% in 1999 down to only about a third today (US EXIM, 2020, p. 20). While much of this change is driven by the rise of export credits from countries outside the Arrangement, it also crucially reflects the fact that Arrangement members are shifting more and more of their trade finance outside the rules of the Arrangement to be able to more directly compete with non-members. As one US customer of the US EXIM reported, 'Foreign ECAs are not breaking the rules, they're just bending them tremendously'

(US EXIM, 2020, p. 27). To understand why and how this is happening, and its broader systemic impact on the export credit regime, we now turn to assessing the dynamics among Primary and Secondary Defectors.

6.3. Primary defectors responding to China

Our first expectation is that countries most exposed to Chinese export competition are among the earliest and clearest to begin deviating from the regime. To assess exposure to competition from Chinese export finance, we create an index that measures the similarity in countries' export market structure with that of China, using a similar approach to that of Fuchs et al. (2015).[15] The index varies from 0 to 1, with high values indicating that the composition of export markets for an exporter is more similar to that of China. Since cheaper and more attractive export finance can help companies win foreign contracts, the effect of more generous export finance is felt most by those firms and countries that export to the same markets as Chinese firms.

Figure 1 shows these data. As China has become a major export power, the data show a general increase in exposure to China across all countries. For our purposes, what is most important is noting the Arrangement members that are most exposed to China are Japan and Korea. This suggests these two ECAs should be among the earliest defectors from the regime.

Indeed, this appears to have happened. Multiple sources suggest Japan and Korea were the earliest countries moving away from the regime. In an interview a US EXIM official noted, 'China set the tone […] Then the Japanese and Koreans introduced programs outside the Arrangement'.[16] A separate US EXIM report also specifically identifies Japan and Korea as early movers, singling them out as the two countries that 'turned quickly to untied and investment financing programs in their response to the world of competitive financing flowing from China' (US EXIM, 2018, p. 24). And a report prepared by an industry association of contractors also suggested these were the two key actors moving away from the Arrangement: 'In particular, Japan, but also Korea have responded with a substantial increase of non-Arrangement official finance to the Chinese official finance competition' (Mudde, 2018a, p. 3).

In terms of timing, Japanese officials noted a changing export environment already in the early 2000s. In light of greater Chinese competition 'Japanese leaders have grown concerned about the emergence of a Greater Chinese Economic Empire which could challenge Japan's regional role' (Burns, 2000, p. 51). In 2002, the Vice Minister for International Affairs, Masahiro Kawai and Deputy Vice Minister of the Japanese Ministry of Finance, Haruhiko Kuroda, publicly lamented that the entry of China into the global trading system is a 'powerful additional deflationary force. Their combined supply capacity has been exerting downward pressure on the prices of goods in industrialised economies' (Kuroda & Kawai, 2002, p. 1). Japanese officials were particularly worried about export finance provided by China. By the mid-2000s, the Japanese government expressed concern that Chinese 'aid' includes exports credits. The Japanese government noted that it would 'urge China to improve transparency in its third country assistance' (Drifte, 2006, p. 103).

South Korea shows a similar pattern and timing. In 2003, the Samsung Economic Research Institute forecast that new Chinese products may undercut South Korea's price advantage in only a few years (Bun-Soon et al., 2006). In 2004, Sydner notes that 'South Korean fears of China's emergence as a competitor in third-country markets and concerns about the rapid erosion of South Korea's comparative advantage over China in high-tech sectors are rising sharply this year' (Snyder, 2004, p. 114).

As in Japan, South Korean officials connected the increased export competition to Chinese trade finance practices. For example, a 2006 report noted China's use of below-market financing to win bids in the oil sector was creating friction with South Korea (Downs & Evans, 2006). The South Korean government responded by seeking to offer similarly favorable financial terms: 'South Korea has used side deals to enhance bids, and Korea Export Import Bank intends to extend more trade finance lines to help Korean oil companies invest abroad' (Downs & Evans, 2006, p. 6).

Both ECAs also looked for creative means to better compete with China. A 2006 press release by the Japanese ECA noted

> Japan Bank for International Cooperation signed a memorandum of understanding with the Export-Import Bank of Korea in an effort to effectively support a commuter train delivery project in the Republic of Turkey. […] In the bidding for this project, the Japan-Korea consortium faced competition from Chinese companies. A consortium was formed between a Japanese firm that has superior technology and a Korean firm that can supply products at affordable prices, with financial support provided by the official financial institutions of their respective countries […] Through such joint efforts, JBIC is committed to providing financial support for ensuring the competitiveness of Japanese businesses in international markets. (JBIC, 2006, p. 1)

However, such programs proved insufficient. As a result, Japan and Korea revamped their export support programs, more and more of their financing moved outside the strictures of the Arrangement. Today, Japan provides extensive investment finance and untied loans, trade-related financing that is not covered by the terms of the Arrangement; as of 2017, only about 3% of finance provided the Japan Bank for International Cooperation was in the form of traditional export credits (US EXIM, 2019, p. 44). Katada and Liao (2020) suggest Japan's recent moves to aggressively support its firms' exports are a direct response to China's Belt and Road Initiative. Korea similarly has increased its investment financing, and its own officials noted one reason is because it allows them to act beyond the confines of the Arrangement: 'The benefit of investment credit is that it can be provided outside the OECD Arrangement, so we can be very much flexible in regards to local content and costs … In terms of investment credit, the sky is our limit' (quoted in US EXIM, 2019, p. 24).

6.4. Secondary defectors responding to primary defectors

Our second expectation is that once the Primary Defectors begin to operate increasingly outside the terms of the Arrangement, other members begin to face increasing competitive pressure. We expect that Secondary Defectors cease to comply with the regime *after* the Primary Defectors have done so. Moreover, these countries defect *not necessarily* because of exposure to Chinese competition, but

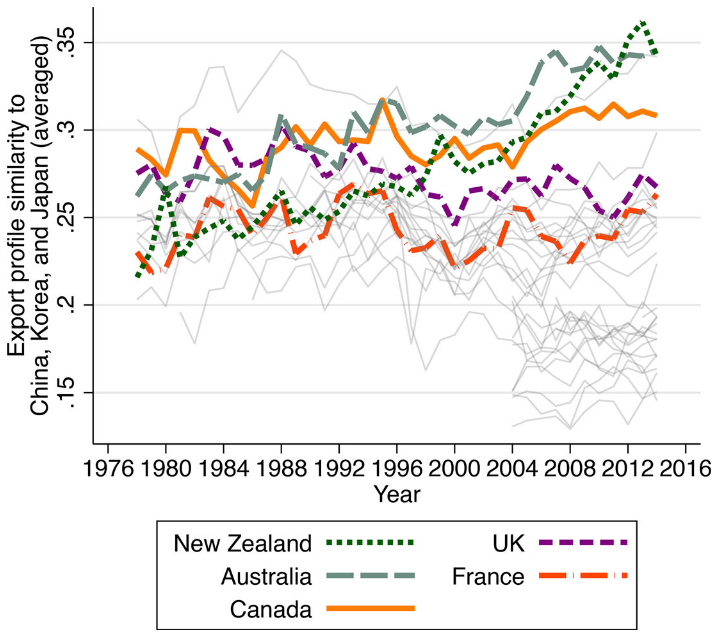

Figure 2. Exposure of Arrangement members to competition from China, Korea and Japan (averaged).

instead as a reaction to the Primary Defectors' actions, sparking a cascade of noncompliance.

To better understand this process, we look at which countries are exposed not only to China but also to Japan and Korea, who now increasingly operate outside the regime, using the same metric of export competition as above. Figure 2 identifies these countries, which include regional competitors in Australia and New Zealand, as well as a subset of other Arrangement members in Europe and North America. Notably, several of these countries feature prominently among the second wave of defectors.

Canada was one of the earlier countries to expand its export credit offerings, after the primary defectors of Japan and Korea. One interviewee noted that after Japan and Korea introduced their non-Arrangement programs, 'then Canadians introduced their "pull" program'.[17] This program, formalized in 2008 and expanded several times thereafter, allows EDC to offer financing untied to specific contracts, with the objective of encouraging greater procurement from Canadian suppliers (EDC, 2018b, p. 16). A recent EDC review described the pull program as 'our most substantial investment in trade creation' (EDC, 2018b, p. 26), allowing the agency to go beyond passive trade facilitation to actively compete for export markets, just as Japan and Korea did.

In New Zealand, a survey conducted in 2014 among export-oriented companies revealed that firms believed they were losing out on export sales because other ECAs offered more favorable financial terms. The firms also complained about the behavior of New Zealand's ECA, noting 'NZECO's lack of 'aggressively pursuing' opportunities like other export credit agencies' (New Zealand Export Credit Office, 2014, p. 4). Consequently, NZECO revised many of its policies in 2016 in order to expand its offerings and be more competitive internationally (New Zealand Export

Credit Office, 2016). The agency extended the maximum maturity available on certain loan guarantees, and began offering many new financial products, including political risk insurance and a product specifically aimed at domestic firms participating in export supply chains (but who may not be exporters themselves).

In Australia, a similar dynamic occurred. In 2017, the Australian government passed new legislation to expand the offerings provided by its ECA to address concerns by Australian firms that mirrored those of in New Zealand. The Australian ECA was now given the authority to offer new investment finance and supply chain financing options (Export Finance Australia, 2017).

In brief, after Japan and Korea expanded their export credit policies in the face of increasing Chinese competition, secondary defectors such as Canada, New Zealand and Australia mimicked these actions and similarly began to compete more aggressively for export markets. Importantly, the timing suggests that these ECAs noticed increasing competition in the mid-2010s, and thus, much later than Japan and Korea's growing concerns in the mid-2000s.

6.5. Cascading noncompliance throughout the regime

Over time, as second wave defectors altered their practices, members paid an increasing cost arising from others' noncompliance. At this point, the pressure to defect from the regime arose from *internal* dynamics.

The case of Austria is instructive in this regard. Austria had only moderate exposure to competition with China. In fact, the Austrian Minister of Economy, Reinhold Mitterlehner, notes that Austria's exports benefited from China's economic growth (BMWFI, 2010) at a time when Japan and Korea did not. What is more, instead of viewing the Chinese export credit activities as threatening, the Austrian ECA sought to cooperate with the Chinese ECA. In 2009, the Österreichische Kontrollbank (OeKB) signed a cooperation agreement with China Export & Credit Insurance Corporation. The agreement increased cooperation in information and know-how exchange between both institutes (APA-ENS, 2006) and was later expanded to include a joint financing facility (OeKB, 2019).

In the mid-2010s, however, the export environment for Austria changed markedly. Austria's share in world exports was declining significantly (APA, 2011) while the Austrian ECA reported consistently falling profits and lower utilization of its export guarantees (APA, 2014). To respond to this increasing competition by Primary Defectors, Austria's ECA took a number of steps to increase its competitiveness, deviating from the spirit of the Arrangement. In 2016, OeKB halved its domestic content requirement, from 50% to 25%, allowing the agency to pursue a broader array of projects (Oesterreichische Kontrollbank AG, 2016, p. 7). Austrian officials themselves point to their competition with other OECD member ECAs as the key justification of such reforms: 'many other European export credit schemes such as those in Italy, the Netherlands, Belgium, Scandinavian countries or in Switzerland have embarked some time ago to be more liberal regarding national content requirements, resulting in a potential loss of competitiveness for Austrian firms' (Schipfer, 2017, p. 39).

Such mimicking became widespread. After all, 'If a country provides many support windows both in and outside the scope of Arrangement, it may bring competitive advantage', remarked an official from the Finnish ECA (Karkovirta, 2018,

p. 102). The actions by Japan and South Korea as well as the responses by countries we identify as Secondary Defectors 'increase pressure on other members to create their own Arrangement breaching programs, and therefore, further jeopardize the level playing field' (Business & Industry Advisory Committee to the OECD, 2018, pp. 3–4). Similarly, Juliette Schleich, a policy analyst in the OECD's Export Credits Division, argues that, 'One way for OECD participants to keep competing with these new players has been to adapt and develop new products *so we are seeing competition inside, within the participants*, with the development of new products that are on the margins of OECD principles' (EKN (Swedish Export Credit Agency), 2019, p. 2).

The US EXIM notes that while non-Arrangement financing was 'originally a largely Asian ECA attribute, other ECAs […] are steadily making the changes required to match these programs' (US EXIM, 2017, p. 40). One interviewee noted that after the Canadians introduced their above-mentioned 'pull' program that, 'Now it's *catching on* with other ECAs […] At the most recent G-20, all the other ECAs were asking the Italians and Canadians to explain their programs so they could learn from and copy them. The competition has taken on a life of its own'.[18] Similarly, the French ECA 'developed benchmarking with other ECAs to be more aware of their new organization, their new products and the evolution of the market. We [the French ECA] are active and we adapt our products or create new ones to better fit our clients' needs' (Global Trade Review, 2018, p. 4).

Even the United States is drawn into this cascade of noncompliance, slowly beginning to mimic the behavior of Secondary Defectors. In its 2020 annual report, the chairman of the EXIM advisory committee wrote that

> EXIM's leadership must make it a priority over the months and years ahead to continue to scrutinize the techniques of other countries' ECAs, looking hard at all the experiences of its foreign counterparts so that, month by month, EXIM is better equipped to compete with them. […] Faced with the determination of so many government-backed institutions supporting their own countries' business and domestic job interests, the situation for U.S. exporters is dire, and EXIM as an institution must think outside the box and cease any hesitation in moving forward. (US EXIM, 2020, p. 12).

It remains to be seen quite how US EXIM's new focus will translate into changed practices, but this is a notable departure from the agency's traditional role as a 'lender of last resort' which only passively responds to exporter interest.

6.6. Regime-level consequences

The data presented above demonstrate that Chinese competition alone cannot directly explain the breakdown in compliance in the export credit regime. While China may have pushed Japan and Korea to reevaluate their approach to the export credit regime, these early defections helped spur subsequent cascading noncompliance by Secondary Defectors. This view is supported by export credit practitioners. One industry consultant recently summarized the breakdown in the regime as

> … cheap Chinese ECA/DFI [development finance institution] debt is now distorting global competition in the global project and trade marketplace […] [C]ountries like Japan and Korea have responded strongly, in effect more or less mirroring the Chinese methodology. And now some OECD Arrangement countries are following suit, circumventing OECD rules … (Mudde, 2018b)

Each Secondary Defector, like the Primary Defectors and the original outside challenger before them, creates additional pressure on remaining members of the regime, over time incentivizing them to cease complying with the Arrangement themselves. As a result, compliance with the regime is breaking down. The director of the Italian ECA recently noted, 'In the most recent years the OECD regulatory framework has appeared less and less able to capture the actual international trade, as non-export related operations conducted by ECAs continue to grow' (Valerio, 2016, p. 37). A Danish official pointed out that 'threats to the [export credit regime] come from multiple directions, including from within OECD governments' (Søndergaard-Jensen, 2019, p. 427).

7. Conclusion

Officially supported export finance is critical in facilitating cross-border trade, but has been understudied in the IPE literature. In this article, we examine how the export credit regime is unraveling. We document and explain the slow-rolling crisis that has been building up within the export credit regime, visible to many practitioners and government officials working within the system but largely unnoticed by wider audiences. Our explanation for members' declining compliance with the explicit and shared expectations of the regime unfolds in two phases. First, due to the fact that China is outside the regime, Primary Defectors that are highly exposed to Chinese competition began deviating from the shared norms and expectations of the regime. Second, these initial defections had broader spillover effects, sparking competition *within* the regime, creating a negative feedback loop of *cascading non-compliance*. We present empirical evidence that support two observable implications from our argument. First, we show that countries most exposed to outside competition – Japan and Korea – were the earliest defectors, not a hegemon like the United States. Second, we show that the actions of the Secondary Defectors were motivated by responding to Primary Defectors, not the original competitor outside of the regime.

Is it possible to reestablish cooperation under such circumstances? One question is whether it is feasible to bring the outside challenger in, as was attempted through the IWG process. This would likely require some combination of (a) carrots and sticks offered by existing members and/or (b) shifting domestic priorities for the challenger, such that its own incentives aligned with acceding to the club. Regarding the former, China has not responded to outside pressure to adjust its export finance policies, as the IWG process demonstrates. Regarding the latter, two scenarios come to mind. On the one hand, given how subsidized export credits facilitate its economic strategy, China might have little interest in reigning in their use. On the other hand, this could change in the future, perhaps if China faces a wave of defaults among its export partners (Blackmon, 2016). For instance, domestic pressure within China to address bad debt associated with Belt and Road Initiative might motivate factions in China using the OECD guidelines as a means to check moral hazard. This would correspond to other instances where soft law has been used as a political resource domestically (Newman & Posner, 2018).

The second question, then, is whether cooperation can be bolstered within the club despite the persistence of an outside challenger. Given the differential costs members bear from Chinese competition, this would likely require side payments or concessions to those members facing the highest costs, to incentivize compliance despite the drawbacks, and/or greater flexibility to allow more targeted deviation from the regime while generally upholding compliance. In the context of the Arrangement, this suggests members may need to revisit the design of the escape clause, such that it allows members to match Chinese (or other competitive) financing when they cannot fully document the terms of the competing offer.

Beyond the analytical account of the faltering export credit regime, our findings have broader theoretical and policy implications. While scholars have begun turning their attention to *why* regimes collapse, we contribute in advancing our understanding of *how* international regimes unravel, that is the specific processes and patterns of faltering cooperation. Our explanation suggests a process by which a cooperative equilibrium is abandoned for a non-cooperative one, and shows how competitive pressures can transfer from outside the regime to inside the regime. Moreover, our research suggests that declining compliance in such regimes may not be immediately obvious to observers, since there may not be clear evidence of members exiting institutions or clearly breaching formal rules. Yet careful empirical work is able to reveal where noncompliance is building up beneath the surface. Compliance may be more fragile than it appears. With this argument, our article speaks to literature on how American hegemony can unravel even in the absence of major military conflicts (Cooley & Nexon, 2020).

A number of other areas of international governance are also characterized by informal, club-like cooperative regimes that can experience outside competition that could spark cascading noncompliance within the regime. Historical examples where our explanation of cascading noncompliance can provide additional insights are the transitions to liberalization in the capital account, current account and exchange rates (Simmons & Elkins, 2004) or the erosion of compliance with the gold standard (Frieden 1993).

A contemporary example of a regime with these characteristics is the Paris Club, an informal grouping of the world's largest official creditors that emerged to help advanced economies coordinate in negotiations with borrowing countries that can no longer afford to pay their debts (Cheng et al., 2018). The Paris Club has a direct relationship to the Arrangement on export finance, since much of the official debt rescheduled by the Paris Club consists of export credits (Blackmon, 2014). As with the Arrangement, China has declined invitations to join the Paris Club (Wang, 2014), despite being the world's largest official creditor. Like the Arrangement, we anticipate that the Paris Club may also struggle to remain relevant if members fear that China will undercut the Paris Club in direct bilateral negotiations with debtors in crisis.

The Paris Club and the Arrangement are not alone in this respect. Data on informal international organizations (Roger & Rowan, 2020) shows that of 36 informal IOs that have at least ten G20 countries as members (i.e. are clubs with major economies as members), more than a third do not include China. These include the Egmont Group of Financial Intelligence Units, which facilitates information exchange to combat money laundering and terrorist financing, or the Missile Technology Control Regime. If China and other emerging powers cannot be brought into these governance clubs, these clubs may find themselves vulnerable to uneven competitive pressure that can unravel members' compliance with the rules of the club.

In addition to empirical extensions to other issue areas, future work may further develop the theoretical implication that internal competition among regime insiders can affect the longevity of regimes. A common refrain in contemporary appeals to multilateralism is that like-minded states should work to preserve rule-governed orders in various areas of international cooperation. However, our work shows that while initial pressure on cooperation may come from outside, the final determinant of an institution's continued relevance is how the members choose to respond. Thus, members of institutions may find themselves confronted by competition even within the institutions they seek to preserve.

Notes

1. For excellent overviews of how export credit agencies function, see Blackmon (2017, pp. 1–39) as well as Stephens (1999).
2. Some ECAs operate as government agencies, others are quasi-private entities that act independently but with the full faith and credit of their government sponsor.
3. The current members of the Arrangement are Australia, Canada, the 28 member countries of the European Union, Japan, Korea, Norway, New Zealand, Switzerland, Turkey and the United States.
4. The 1978 Arrangement was followed over subsequent decades by a series of further agreements to address other dimensions of export finance competition, including the use of tied aid, the standardization of risk pricing, and sector-specific rules for ships, nuclear power, aircraft and renewable energy projects.
5. Interview, US EXIM Official, July 2018.
6. U.S. Embassy in Ghana, 'Chinese Influence in Ghana - an Update', 2 March 2007.
7. Interview, US EXIM Official, July 2018
8. Interview, Ghana Ministry of Finance and Economic Planning Official, May 2017.
9. Interview, Kenya National Treasury Official, February 2017.
10. For an overview on the use of escape clauses in international agreements, see Pelc (2016).
11. Interview, US EXIM Official, July 2018.
12. Interview, US EXIM Official, July 2018
13. Interview, EDC Officials, December 2018.
14. For example, in the United States the maximum level of support US EXIM will provide in any transaction is the lesser of 85% of the total value of all goods and services in a contract, or 100% of the value of the US-produced goods and services in a contract. This means US EXIM is unable to finance large deals that involve significant foreign content.
15. The index is calculated as the ratio of the share of exports from country i to country j in all of country i's exports to the share of exports from China to country j in all of China's exports, which are then averaged at the exporter-year level. Trade data are sourced from the Correlates of War project.
16. Interview, US EXIM Official, July 2018.
17. Interview, US EXIM Official, July 2018.
18. Interview, US EXIM Official, July 2018.

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