

BRITISH EXPORTERS ASSOCIATION

Export Credit Agencies

Export support available to British exporters

ECGD benchmarking – April 2010

Revised 26 July 2010 incorporating ECGD 2009-10 accounts

BExA

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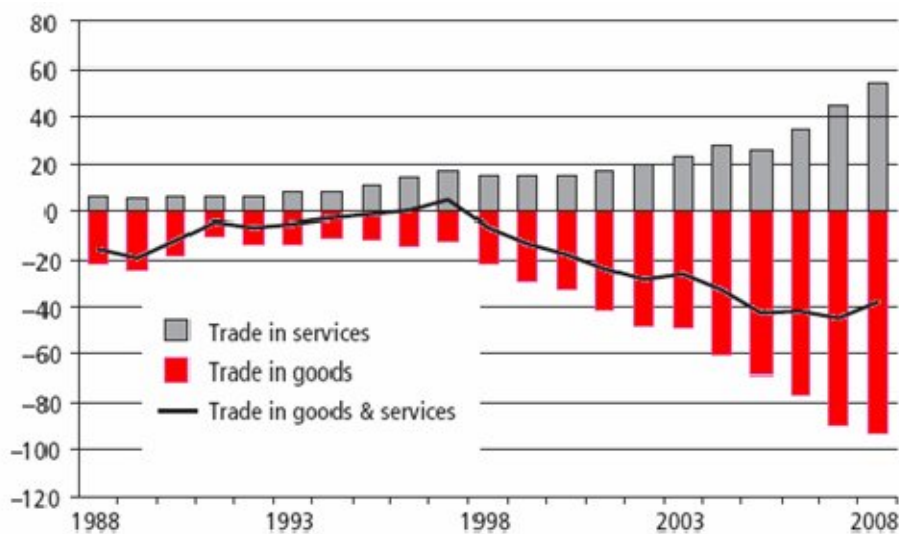
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Graph 1: UK's balance of payments (£'Bn) – Trade in goods and services (credits less debits)



Source: Pink Book



1. Executive summary

A hard-won export order will be of no benefit – it could even pull a small company down – if it results in bad debt or a cash-flow crisis. Finance issues include buying in designs, labour and materials for production, raising guarantees, and providing credit terms to a customer. Post-recession, credit terms are increasingly required by customers, and these must be financed so that the exporter does not have a cash-flow gap. Export credit insurance protection is needed since a bad debt write-off would have an immediate impact on cash flow and profitability. Letters of credit can provide payment protection but do not protect the manufacturing period and, because they are expensive, may result in the order being lost if a competitor can organise export credit insurance and/or finance. Seasoned exporters refuse orders if export credit insurance and finance is not available.

Export Credit Agencies (“ECAs”) support the financing of a country’s exports where commercial credit insurers have restricted appetites. The UK’s ECA is the Export Credits Guarantee Department (“ECGD”). The British Exporter’s Association (“BExA”) has conducted research into the facilities offered by ECGD, and compared them with those of other national ECAs.

Since the start of this decade, ECGD’s business has fallen markedly. At the same time, the UK’s share of world trade has declined from over 4% to under 3% and our balance of payments deficit has increased. BExA believes there is a correlation between a nation’s exports and the activities of its ECA. BExA has observed that in countries of a similar economic size to the UK, an active ECA contributes to healthy exports overall.

The BExA research shows ECGD has a smaller range of services than comparable countries’ ECAs. This is likely to be a contributory factor in ECGD’s reducing business volumes. ECGD provides excellent finance support for medium to long-term contracts, and while the UK’s banking and commercial export credit insurance industry are active and innovative, there are significant limitations in the support that has been provided for exports to certain countries and for some contract structures. Other countries’ ECAs have addressed a similar situation by providing services that complement those available from commercial export credit insurers and as a result generate more exports.

We looked at both the value of exports covered by ECGD and the number of policies issued. In both cases, ECGD falls well short of comparable ECAs. ECGD’s insured portfolio is heavily weighted towards the commercial aerospace sector. While its expertise facilitates exports for larger manufacturers and their supply chains in this specific area, there is plenty of scope for ECGD to expand. The UK exporting community has been calling for ECGD to provide cover where commercial insurers have no appetite. Such export credit cover is vital for small and medium-sized entities (“SMEs”).

BExA’s research comes at a time when there is a general recognition of the value of exporting in driving growth post recession. Recent research conducted by the British Chambers of Commerce (“Exporting Britain: Trade Finance”) and the House of Commons BIS committee report “Exporting out of Recession” support the need for a co-ordinated strategy of Government support for export.

ECGD’s ability to generate wealth for the UK is clear: each £1 of ECGD operating costs helps to generate. £85 (2010) of orders for UK companies and all at no cost to the UK taxpayer. This figure compares well with the UK Trade & Investment (“UKTI”) statistics whose export support generates £16 for every £1 of taxpayer’s money spent.

In the Association’s recent manifesto, BExA has made recommendations for improving ECGD support by widening its product range and customer base. We call upon the new Government to give priority to exports and provide strong leadership in the provision of export support. The Government should acknowledge the role of export credit support in winning and executing contracts and set out to reinvigorate ECGD.



2. About ECGD

ECGD is the UK's official Export Credit Agency. Whereas UKTI directly assists exporters in winning business, ECGD's role is to 'provide payment insurance and enable the export contracts to be financed'¹. In this way, ECGD helps UK exporters of capital equipment and project-related goods and services to win business and complete overseas contracts with confidence.

ECGD provides:

- Insurance for UK exporters against non-payment by overseas buyers;
- Guarantees for bank loans to facilitate the provision of medium and long term (2 years +) finance to overseas buyers of goods and services; and
- Political risk insurance for UK companies making investments in overseas markets.

ECGD, along with other government-supported ECAs, abides by the OECD Arrangement on Officially Supported Export Credits, which is designed to provide a framework for the orderly use of officially supported export credits and to provide a level playing field for exporters to compete on price and quality and not on the availability of government finance.

ECGD is funded almost entirely by the premiums it collects from UK exporters, banks and investors. Although its operations are guaranteed by the UK taxpayer, ECGD has operated at no net cost to the UK taxpayer since 2000 (first year of publication of its Resource Accounts) and, indeed, has actually been a net contributor to the public purse because it has earned profits on premium earned less net claims. Some other main features are as follows:

- ECGD does not use commercial reinsurance; it is required to run a balanced portfolio (by destination country).
- ECGD mainly supports the financing of exports of capital and semi-capital goods and services. One of its strengths is that it recognises that exporters may use global supply chains to remain competitive and therefore it is able to underwrite contracts involving foreign-sourced goods and services up to 80% of the total contract value. ECGD has a particular skill in supporting finance for the sales of aerospace goods and services on medium/long repayment terms.
- Short term credit insurance cover ("EXIP") is theoretically available on a stand-alone basis², but, despite numerous requests, has rarely been provided because ECGD asserted that there was sufficient capacity in the commercial market, and imposed a restrictive definition of capital and semi-capital goods.
- ECGD sold its short-term credit insurance underwriting book to NCM (now Atradius) of the Netherlands in December 1991. Thus today, it is virtually unknown amongst SMEs, a situation compounded by the fact that it has no "sales team" or efficient distribution mechanism.
- More information on ECGD can be found at www.ecgd.gov.uk.

¹ ECGD's statutory powers are set out in the Export and Investment Guarantees Act 1991 (as amended by the Industry and Exports (Financial Support) Act 2009).

² EXIP policies are sometimes issued to exporters in conjunction with export finance products, but only exceptionally as stand-alone insurance for exporters (including SMEs) trading with overseas customers on cash (or near-cash) terms of payment.

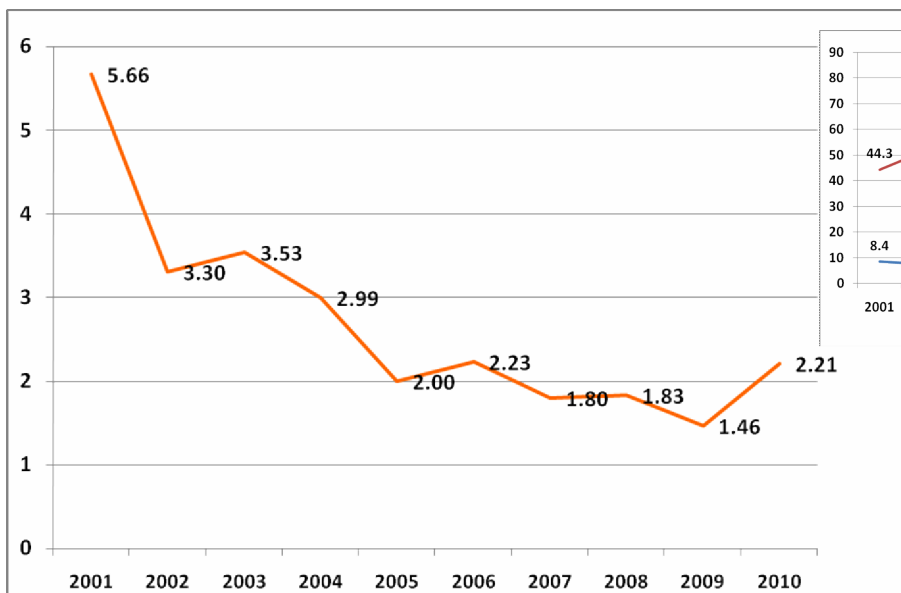


3. About this research

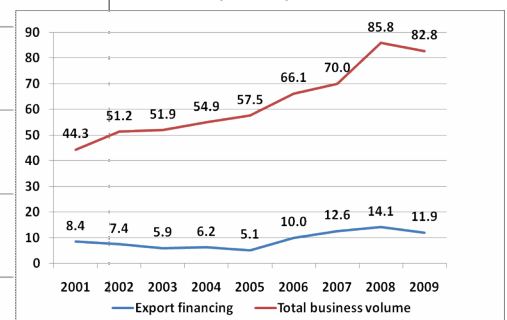
BExA is an independent, national, trade association established in 1940 to represent the exporters of capital goods and other products, and their banking, credit insurance and other service providers. Since its establishment, BExA has consistently taken a particular interest in matters relating to export credit insurance, trade finance and export finance.

After one of the longest periods of UK recession, this country needs exports more than ever in order to be able to grow, create sustainable jobs, and generate tax revenue to commence repayment of the UK's borrowings. BExA sees ECGD as having the potential for a key role in encouraging export growth. However, in recent years its expertise has remained largely untapped; its business volume fell consistently between 2001 and 2009. Its turnover in 2010 is less than 40% of 2001 volumes. By comparison, the business of other ECAs, for example Canada's EDC, show a very different story: see Graphs 2a and 2b below.

Graph 2a: ECGD backed business (£'Bn)



Graph 2b: EDC (Canada) backed business (C\$'Bn)



In BExA's view, ECGD needs to have a wide range of solutions to support UK exporters and the ability to react quickly and efficiently to the needs of exporters of all sizes. This research, undertaken in January 2010³ by reviewing publicly available websites, contributed to BExA's **Manifesto for Exporting**⁴. ECAs have expertise in particular sectors (e.g. ECGD for commercial aerospace), and because ECAs have certain services in their armoury that others do not, it does not follow that all solutions will be provided to all applicants. However, it is clear that those ECAs with a wider product range have insured more exports and investments.

BExA calls for a more joined-up approach to official export support. Whilst UKTI invests in helping UK exporters win business, for example by supporting overseas visits by trade delegations, government also needs to embrace ECGD within overall trade strategy. Winning an order is only the start of the export process: without export credit protection, bond issue support and working capital, it may not be possible for an exporter to accept the order. We welcome the announcement that ECGD is to be co-located with UKTI in, we understand, 2012. This will provide an opportunity to share the cost of overheads. However, we do not recommend further integration of ECGD into UKTI (or BIS) because of the distinct expertise and skill required by ECGD and its underwriters.

³ Updated 26 July 2010 with ECGD 2009-10 Annual review data

⁴ BExA Manifesto for Exporting launched on 22nd February 2010 available from www.bexa.co.uk.



4. ECGD's range of services

BExA compared ECGD with ECAs around the world by allocating a 'point' for each key product or service available, and then comparing the resulting total scores. Where it was not certain whether or not a particular service or product was offered, BExA did not give a point.

BExA limited its scoring to what are considered as the ten basic products and services. This basic offering is as follows (in no particular order of importance):

- Short-term export credit insurance
- Medium and long-term export financing schemes
- Fixed rate finance
- Bond issuance support
- Direct lending
- Overseas investment insurance
- Working capital facility / pre-shipment finance
- Bond unfair calling insurance
- Letter of credit guarantee scheme
- Foreign exchange fluctuation cover between bid submission and contract award

BExA's research has been undertaken to evidence what products and services are available to exporters via their respective ECAs, and to highlight products which the UK's ECA, ECGD, may wish to consider offering in the future to ensure that, at the very least, an internationally level playing field is available to all exporters. It is not the objective of this research to comment on the usage or specificities of these products, but to act as a benchmark of what is and is not available to exporters.

In conducting the research BExA relied mainly on information that can be found on ECAs' respective websites and therefore the accuracy of such websites is an important factor in the accuracy of this research. Some information was directly obtained by contacting ECAs. Where ECAs rely on another government department or institution to provide a particular product or service (this is especially true for fixed rate financing), BExA took this dimension into consideration and the names of those organisations are indicated in Table B accordingly.

It was decided not to score ECAs for providing (or not providing as in the case of ECGD) a range of other products and services. The results are as follows:

- Average score of 38 ECAs: 7.11 products or services (out of a maximum of 10)
- Only two countries scored 10, Canada and the USA
- Five countries scored 9: Czech Republic, Finland, France, Hungary and South Korea (Germany 'only' scored a worthy 8)
- 33 countries scored higher than 5 products and services
- Only 5 countries scored 5 products and services or lower
- ECGD scored 5

Table A contains a summary of the results for 10 ECAs and 5 key solutions available (or not as the case may be) to exporters. Table B shows the full data.

Looking specifically at those products and services not offered by ECGD (namely short-term credit insurance, foreign exchange risk cover, direct lending, bond issuance support and working capital facility),



BExA found that no other ECA had the same gap in its product offering, thus highlighting some serious deficiencies in the support available to British exporters. In the case of bond issuance support, it is particularly telling that 32 out of 38 ECAs offer this facility. ECGD has declined to introduce bond support for the last 7 years, maintaining there is no evidence of the need for it.

Table A: ECA range of services – Summary of results for main ECAs

Countries	Short-term insurance	Foreign exchange cover for tenders	Direct lending	Bond support scheme/ issuance	Working capital facility
United Kingdom	✗	✗	✗	✗	✗
Australia	✗	✗	✓	✓	✓
Canada	✓	✓	✓	✓	✓
China	✓	✗	✗	✓	✓
France	✓	✓	✗	✓	✓
Germany	✓	✗	✓	✓	✗
Italy	✓	✗	✗	✓	✓
Netherlands	✓	✓	✗	✓	✗
Spain	✓	✗	✗	✓	✓
USA	✓	✓	✓	✓	✓

Small and medium-sized entities

British SMEs are poorly served by ECGD. The UK has a vibrant and reactive commercial credit insurance market, and commercial export credit insurers are agreeing more credit limits now the recession is on the wane and are “off cover” for very few markets. However the commercial reality is that a large company which already pays substantial annual premium for a well-spread portfolio of risk and is able to take a high level of risk share can generally secure cover on insurable risk, even for the more economically challenging contract structures, credit risks, horizons or destination customers and/or countries. For SMEs, who may start exporting with a single contract, and for whom cash flow is critical and the impact of bad debt would be devastating, the reality is that cover is often not offered. These SMEs are competing against exporters, typically from continental Europe, who are clearly supported by their ECA and therefore able to supply attractive terms to customers.

ECGD has a small portfolio by number of users: in the year 2009-10, ECGD issued just 198 policies (see Graph 3 on next page) whilst Hermes of Germany had 38,000 applications in 2008, 68.7% from SMEs. EDC of Canada has, for the last 7 years, written 10,000 policies per year. In the USA, the Export-Import Bank of the United States (“Ex-Im”) authorised, on average, over 2,700 policies per year in the period 2001-09 with an average of 2,350 policies specifically supporting SMEs.

European ECAs support for short-term exports

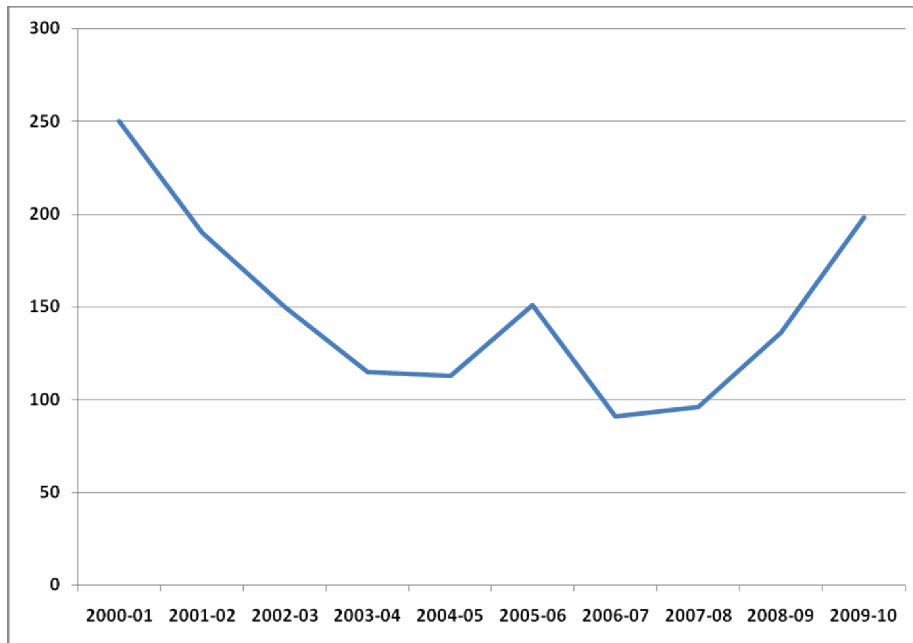
ECGD, along with other EU ECAs, is not allowed to protect short-term export payment risks in a number of markets described as ‘marketable risk countries’ because export credit insurance is deemed to be widely available from commercial credit insurers for those markets⁵. The marketable risk countries are the

⁵ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31997Y0917%2801%29:EN:NOT>



European Union member states, Australia, Canada, Iceland, Japan, New Zealand, Norway, Switzerland and the USA.

Graph 3: Number of ECGD policies issued



In January 2009 however, the European Commission made an allowance⁶ to enable previously commercially insurable short-term risks which had, because of the recession, become "temporarily non-marketable", to be insured by EU ECAs until December 2010. Many EU Governments took up this opportunity to support their country's export trade, with the result that individual risks could be insured by ECAs during 2009 in countries such as Spain, Poland, Greece and Portugal where commercial capacity was restricted to the more profitable policies.

Notwithstanding the EU restriction on marketable risk countries, many EU ECAs, as a regular part of their business, cover short-term export credit risks to non-OECD countries (i.e. traditionally "non-marketable risks") on a case-by-case basis because commercial insurers have limited or no appetite for countries such as Russia, Iraq, Ukraine or Venezuela, particularly for contracts that involve a few months' lead time before delivery. This enables SMEs, and infrequent exporters, who have limited bargaining power with commercial credit insurers, to obtain payment protection and thereby arrange export finance and avoid the risk of bad debt.

How does ECGD reach out to exporters?

When you call ECGD's helpline, you get straight through to experienced and helpful front-line staff, but this is not publicised. Clearly ECGD does not want to over-burden its staff, but there is no obvious access route or filtering system currently in place either from UKTI or the private sector, both of which are widely used by SMEs.

- UKTI is not the sales arm of ECGD: the results of a search for 'export finance' on the Business Link web portal do not display ECGD prominently. UKTI's expertise being to generate export sales, it correctly makes reference to all (i.e. including commercially available) solutions for export credit protection.

⁶ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52009XC0407%2801%29:EN:NOT>



- ECGD does not engage with the normal commercial and independent distribution / filtering / advice channel for UK insurance – that of insurance brokers.

BExA would like to see ECGD move on from its concentration in servicing large business. BExA suggests a co-ordinated marketing strategy for 2011 to include UKTI to market the UK's capabilities, and ECGD, supported by the commercial broking market, to provide export credit risk protection where there are shortfalls in availability in the commercial market.

Table B: ECA range of services – Full results

Countries	ECAs/Other government agencies	OECD member	Short-term insurance	Medium/Long-term export credit schemes	Fixed rate financing (OFR)	Foreign exchange risk cover	Direct lending	Investment insurance	Bond support scheme/issuance	Unfair calling insurance	Letter of credit guarantee scheme	Working capital facility	Score
United Kingdom	ECGD	Yes	✗	✓	✓	✗	✗	✓	✗	✓	✓	✗	5
Australia	EFIC	Yes	✗	✓	✓	✗	✓	✓	✓	✓	✓	✓	8
Austria	OeKB	Yes	✓	✓	✓	✗	✗	✓	✓	✓	✓	✗	7
Belgium	ONDD	Yes	✓	✓	✓	✗	✗	✓	✓	✓	✗	✓	7
Brazil	SBCE	No	✓	✓	?	?	✓	?	✗	?	?	?	3
Bulgaria	BAEZ	No	✓	✓	?	?	✗	✓	?	✓	✓	✓	6
Canada	EDC	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
China	Sinosure	No	✓	✓	✗	✗	✗	✓	✓	?	✓	✓	6
Croatia	HBOR	No	✓	✓	✓	✗	✓	✓	✓	?	✓	✓	8
Czech Republic	EGAP/CEB	Yes	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	9
Denmark	EFK	Yes	✓	✓	✗	✗	✓	✓	✗	✓	✗	✓	6
Finland	Finnvera/FEC	Yes	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	9
France	Coface	Yes	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	9
Germany	Euler Hermes/KfW	Yes	✓	✓	✓	✗	✓	✓	✓	✓	✓	✗	8
Greece	EQIO	Yes	✓	✓	?	✓	✗	✓	✓	?	?	?	5
Hungary	MEHIB/Eximbank	Yes	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	9
India	EDGC/Exim Bank	No	✓	✓	✗	✓	✓	✓	✓	?	✓	✓	8
Italy	SACE/SIMEST	Yes	✓	✓	✓	✗	✗	✓	✓	✓	✓	✓	8
Japan	NEX/JBIC	Yes	✓	✓	✓	✗	✓	✓	✗	✓	✗	✓	7
Luxembourg	ODD	Yes	✓	✓	✓	✗	✗	✓	✗	✓	✗	✗	5
Malaysia	Exim Bank	No	✓	✓	✗	✗	✗	✓	✓	✓	✓	✓	7
Mexico	Bancomext	Yes	✓	✓	?	✓	✓	?	✓	?	?	✓	6
Netherlands	Atradius	Yes	✓	✓	✗	✓	✗	✓	✓	✓	✓	✗	7
New Zealand	NZECO	Yes	✓	✓	✗	✗	✗	✗	✓	✓	✓	✓	6
Norway	GIEK/Esportfinans	Yes	✓	✓	✓	✗	✗	✓	✓	✓	✓	✗	7
Poland	KUKE	Yes	✓	✓	✓	✓	✗	✓	✓	?	✓	✗	7
Portugal	COSEC	Yes	✓	✓	✗	✓	✗	✓	✓	✓	✗	✗	6
Romania	EximBank	No	✓	✓	✓	✓	✗	✓	✓	?	✓	✓	8
Singapore	EDCS	No	✓	✓	✗	✗	✗	✓	✓	✓	✗	✓	6
Slovakia	Eximbanka SR	Yes	✓	✓	✗	✗	✓	✓	✓	✓	✓	✗	7
Slovenia	SID Bank	No	✓	✓	✓	✗	✓	✓	✓	✓	✓	✗	8
South Africa	EDCSA	No	✓	✓	✓	✓	✗	✓	✓	✓	✗	✗	7
South Korea	KBC/KEXIM	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	9
Spain	CESE	Yes	✓	✓	✓	✗	✗	✓	✓	✓	✗	✓	7
Sweden	BNV/SEK/ALMI	Yes	✗	✓	✓	✗	✓	✗	✓	✓	✓	✓	7
Switzerland	SERV	Yes	✓	✓	✓	✗	✗	✗	✓	✓	✓	✓	7
Turkey	Eximbank	Yes	✓	✓	✗	✗	✓	✗	✓	✓	✗	✗	5
USA	Ex-Im/OPIC	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
<i>Total of ECAs providing this product</i>			35	37	23	12	18	31	32	29	24	24	



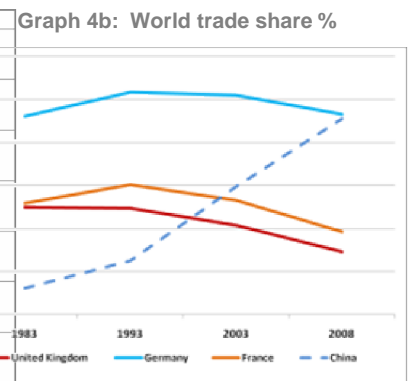
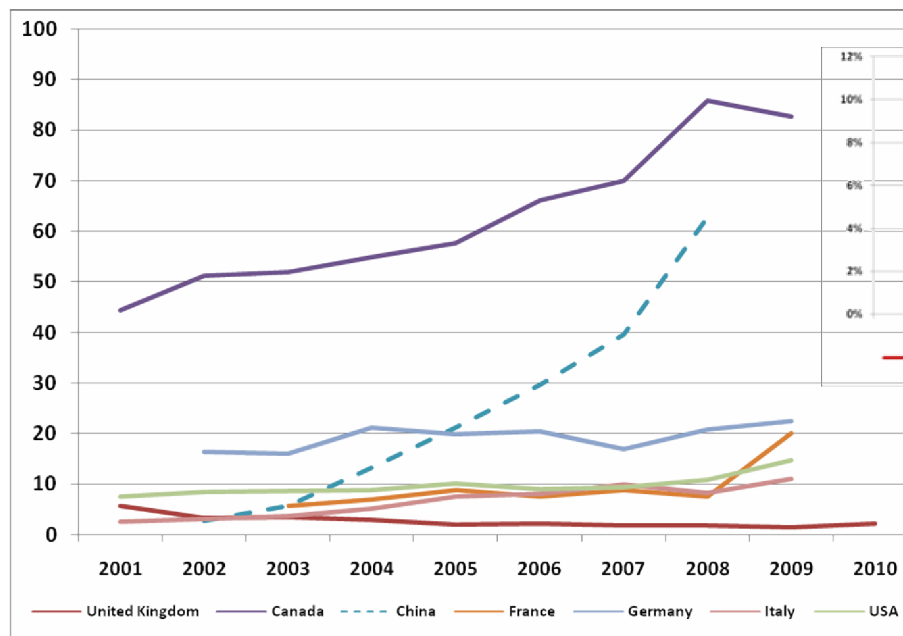
5. ECAs' business volumes

Having looked at the product offering of major ECAs around the world, BExA also looked at the business volumes generated. This information has been found mostly in the relevant Annual Report/Resources Accounts but sometimes was simply outlined in a press release published on the relevant ECA's website.

Since 2001, ECGD's business volume has declined 61% while other ECAs have increased theirs markedly.

These statistics include both export contract risks (insured against non-payment and political risk, bond issue support and including finance fees where appropriate) and overseas investments insured. Detail on overseas investments is not shown separately in the accounts of most ECAs.

Graph 4a: Comparison of selected ECAs' business volumes (in 'Bn of each country's respective currency except for China for which volume stated in US\$)



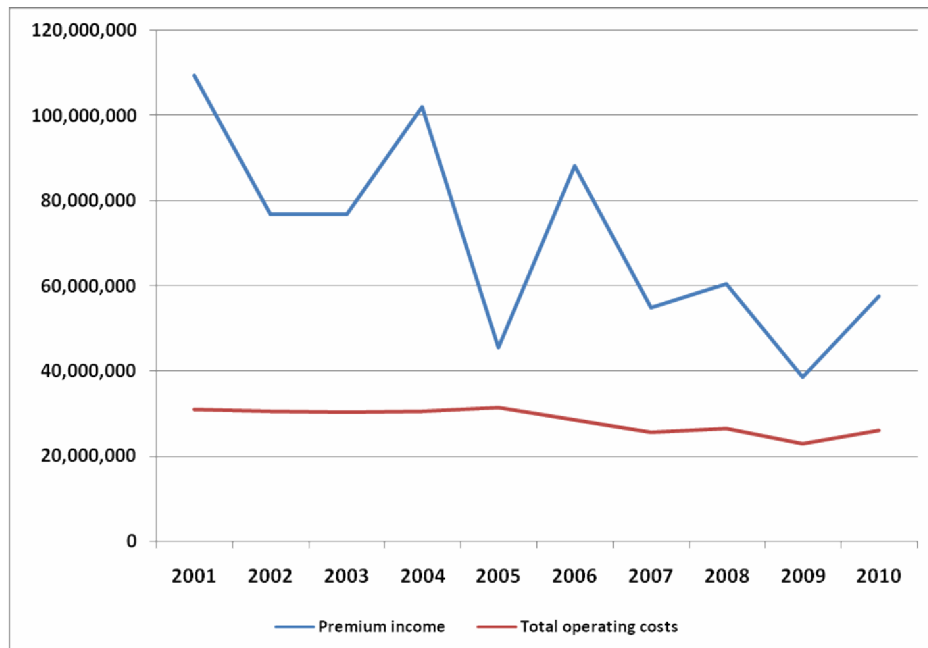
Graphs 4a and 4b suggest that there is a relationship between ECA support and a country's share of world trade, certainly in terms of the trend.

It is disappointing that the UK Government seems unconcerned by this trend and does not ask ECGD to innovate further in order to maintain its level of support to British exporters. Competitor exporting countries have had no such reluctance to aggressively help their own exporters.

With the reduction in business volumes and numbers of policies issued, ECGD has been able to reduce its operating costs; however Graph 5 below demonstrates that its stakeholders (UK taxpayers) are getting a reducing value for their investment.



Graph 5: ECGD's operating costs vs premium income (£)



With the co-location of ECGD and UKTI, there is the potential for a sharing of operating costs (HR, IT, finance etc) which should lower ECGD's cost base – and therefore allow it to charge a lower rate of premium to its customers (within the bounds allowed by the OECD, of course).

Why is ECGD's turnover declining?

Government has sensibly set out that ECGD's mission is to complement, not compete with, commercial solutions for export credit insurance and finance. However, this would seem to have been "over-egged" and used as a reason for ECGD to withdraw services, reduce its business, and hesitate from doing anything new. In part ECGD's attitude is understandable: the UK's national press regularly portrays ECGD as a secretive government department, which is a surprising notion, considering the extent of information that is freely available about ECGD on the Internet.

BExA would like to see ECGD motivated to increase the volume of business it supports by expanding significantly the number of policies issued, particularly (but not solely) for SMEs. Such expansion would make better use of ECGD resources, and give ECGD a key role in supporting UK exports. With the number of UK SMEs at 4.7m (as reported on the ECGD website), there is huge potential for this new support to have a significant benefit the UK economy. A better ECGD performance will increase tax receipts for the Government, thus providing additional justification for a Government-led push in reversing the trend of the past decade.



ECGD in the trade press

Another illustration that ECGD is not performing to its full potential is that ECGD has not been mentioned in the trade press awards for 'Best ECA' since 2001 (Trade Finance magazine has been running its Trade Awards for Excellence since 1999 and had ranked ECGD 3rd in 2001). Table C below provides the results for the more recent years.

Table C: Trade press awards for 'Best ECA' since 2006

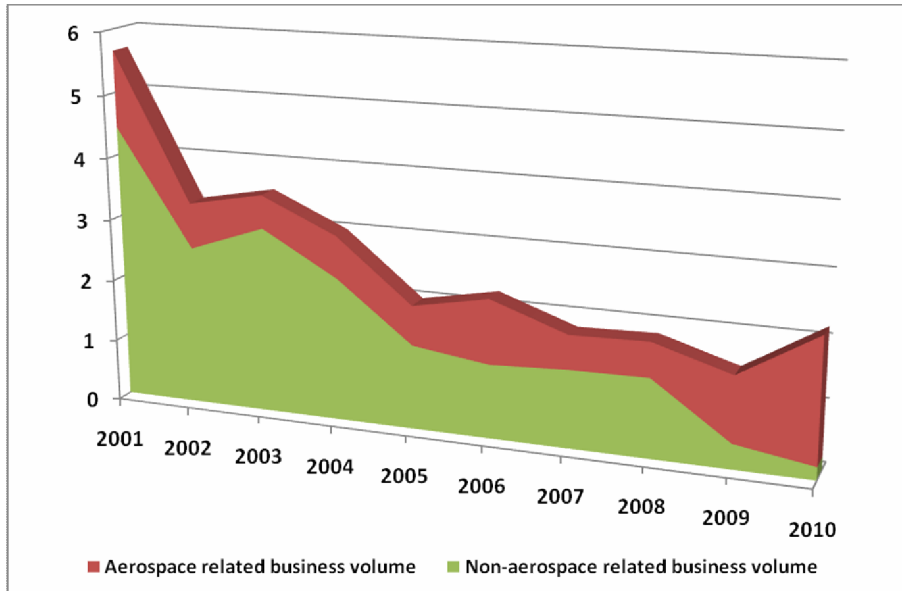
	Trade Finance	Trade & Forfaiting Review	Global Trade Review
2010	N/A	Euler Hermes (Germany)	TBA
2010 - Africa	Afreximbank	N/A	N/A
2010 – Americas	Us Ex-Im (USA)	N/A	N/A
2010 - Asia	Koreaeximbank	N/A	N/A
2010 - Europe	Euler Hermes (Germany)	N/A	N/A
2010 – Middle East	Koreaeximbank	N/A	N/A
2009	N/A	Euler Hermes (Germany)	EKN (Sweden)
2009 - Africa	Afreximbank	N/A	N/A
2009 - Americas	IADB	N/A	N/A
2009 - Europe	Euler Hermes (Germany)	N/A	N/A
2009 - Middle East	JBIC (Japan)	N/A	N/A
2008	Euler Hermes (Germany)	Coface (France)	N/A
2007	Euler Hermes (Germany)	Finnvera (Finland)	N/A
2006	Coface (France)	Sinosure (China)	N/A

Risk management

With additional volume should come spread: at present, ECGD has a distinct bias towards the aerospace sector. Its 2009-10 Annual Review shows that 90% of its business was related to Airbus and other aerospace contracts (up from 72% in 2008-09). This reflects well on ECGD's aerospace team, but for an insurer, especially one that does not buy reinsurance, this is a notable concentration of risk for its stakeholders (UK taxpayers). We are of course not against the support provided to the aerospace industry: significant value is brought to UK manufacturing as a result of this support and we applaud that. However, we lament the fact that ECGD has not managed to keep up its support to non-aerospace customers. In the year 2000-01 ECGD supported £4.4bn of non-aerospace business and this reduced to £200m in 2009-10. The US Ex-Im has similar figures in terms of its current business related to aerospace (75% including Boeing), however the overall turnover for Ex-Im is very much bigger at \$10bn+.



Graph 6: ECGD's business volume related to aerospace sector vs other sectors (£'Bn)



ECGD's business volumes have declined over the last decade. There is however reason to be hopeful: ECGD consistently, effectively and imaginatively supports the UK aerospace sector, which has proved invaluable in maintaining the UK's share of the world market in aerospace. BExA believes this shows ECGD has the potential to provide similar support for other sectors.



6. ECGD impact on UK economy

Our ECA sample's share of world trade

The countries in our sample contribute 53.5% of the WTO's world trade total of \$15,940bn in 2008, the last year when a complete set of data is available. The dip in world trade in 2009 affected all economies. China, Germany and the USA are clear leaders in terms of their economies and their exports.

BExA compared the trade and GDP rankings of the world's top 11 exporting nations and it is clear that the UK's peers in terms of exporting (France, Netherlands, Italy, Korea, Canada and Belgium) have higher world rankings by export volumes than their world GDP rankings. By contrast, the UK, which has the 6th largest economy in the world by GDP, is only the world's 9th largest exporter.

BExA compared the value of ECA support provided by the governments of the world's top exporting nations, in US dollars converted at current rates of exchange, with the total value of exports of those countries.

Table D: 2008 world rankings for the GDP and ECA-backed exports of the 11 largest exporters

Exports world ranking	Country	Total value of exports (\$'Bn)	ECA-backed exports	GDP world ranking	GDP (\$'Bn)
1	China	1,429.6	4.39%	2	8,086.0
2	Germany	1,498.0	1.95%	5	2,959.0
3	USA	1,277.0	0.84%	1	14,610.0
4	Japan	746.5	8.97%	3	4,368.0
5	France	601.9	1.73%	8	2,158.0
6	Netherlands	531.7	Not available	22	681.0
7	Italy	546.9	2.14%	10	1,848.0
8	South Korea	433.5	10%	12	1,353
9	United Kingdom	466.3	0.57%	6	2,257.0
10	Canada	459.1	15.30%	14	1,318.0
11	Belgium	371.5	10.39%	30	393.2
	Sub-total	8,551.9			40,847.4
	Total world	15,940.0			70,840.0

BExA contends that the above table demonstrates that, for economies of a similar size to the UK, a strong ECA enables a country to export more than its 'fair share' of the world trade. This is especially true of Belgium and Canada and to a lesser extent of South Korea, Italy and France. Although the data of ECA-backed business is not available publicly for the Netherlands, we are aware that Atradius, the Dutch ECA, is a very active ECA which would explain the same trend. For Sweden, whose ECA (EKN), was named 'best ECA' in 2009 by Global Trade Review magazine, the same is also true: Sweden's world ranking was 34th in terms of GDP in 2008 and 27th in relation to its export volume. Its ECA supported \$4.6bn of exports in 2008, 2.5% of Sweden's total.

The opposite is true for the UK which is 6th in GDP and 9th in export ranking and only 0.57% of the UK's exports are supported by ECGD.

BExA argues that countries which have ECA export support higher up their agenda find that such support has a positive impact on their country's overall export performance. This feeds through to an overall increase in wealth for the country.



Graph 7: Share of ECA backed business out of total volume of exports in 2008 (in \$'m)

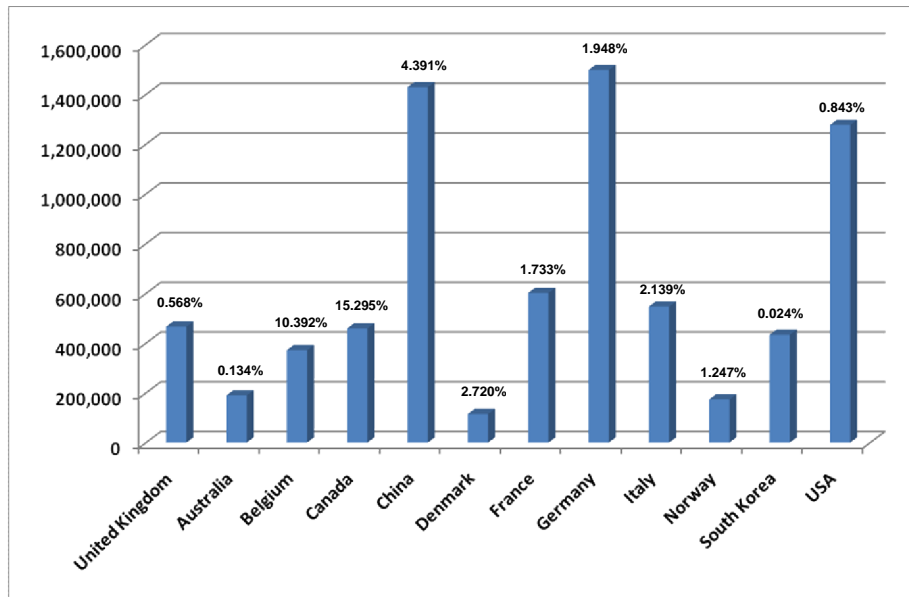


Table E: Business volumes for main ECAs in 2009, in local currency and converted to US dollars

	ECA	Backed business (m) Local currency	Currency	Backed business (m) converted to USD	Exchange rates (31/12/2009)	
United Kingdom	ECGD	2,206.0	GBP	3,442.5	GBP	1.56
Australia	EFIC	576.5	AUD	514.1	AUD	0.89
Belgium	OND	19,235.0	EUR	24,974.7	EUR	1.30
Canada	EDC	82,769.0	CAD	80,103.8	CAD	0.97
China*	Sinosure	62,745.0	USD	62,745.0	USD	1.00
Denmark*	EKF	16,500.0	DKK	2,876.3	DKK	0.17
France	Coface	20,100.0	EUR	26,097.8	EUR	1.30
Germany	Euler Hermes	22,400.0	EUR	29,084.2	EUR	1.30
Italy	SACE	11,100.0	EUR	14,412.2	EUR	1.30
Norway	GIEK	16,640.0	NOK	2,707.3	NOK	0.16
South Korea*	KEIC	129,800.0	KRW	103.8	KRW	0.00
USA	Ex-Im	14,745.3	USD	14,745.3	USD	1.00

* 2008 figures available only



Table F: Full data table for business volumes (in local currency)

Year	ECA	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Currency (m)	Evolution
United Kingdom	ECGD	5,662.0	3,298.0	3,532.0	2,991.0	1,995.0	2,230.0	1,798.0	1,830.0	1,460.0	2,206.0	GBP	-61.0%
Australia	EFIC	371.0	448.8	473.4	95.5	116.3	269.7	554.4	369.2	576.5		AUD	55.4%
Austria	OeKB	3,803.0	3,564.0	4,235.0	5,191.0	5,505.0	8,714.0	12,316.0	12,063.0	-		EUR	217.2%
Belgium	OND	6,679.0	7,573.0	7,372.0	8,922.0	12,317.0	14,671.0	19,866.0	28,163.0	19,235.0		EUR	188.0%
Bulgaria	BAEZ	-	-	-	129.2	304.5	234.8	292.9	319.2	-		BGN	147.1%
Canada	EDC	8,419.0	7,381.0	5,939.0	6,152.0	5,091.0	9,978.0	12,584.0	14,086.0	11,909.0		CAD	93.6%
China	Sinosure		2,752.0	5,714.0	13,298.0	21,213.0	29,567.0	39,629.0	62,745.0			USD	+2180.0%
Czech Republic	EGAP	86,200.0	69,900.0	83,900.0	102,000.0	122,900.0	158,900.0	178,000.0	170,000.0	-		CZK	+97.2%
Denmark	EKF	-	4,855.0	6,945.0	9,600.0	12,700.0	12,550.0	8,970.0	10,161.0	-		DKK	+109.3%
France	Coface			5,600.0	6,900.0	8,800.0	7,400.0	8,800.0	7,400.0	20,100.0		EUR	+258.9%
Germany	Euler Hermes		16,400.0	16,000.0	21,100.0	19,800.0	20,334.0	17,000.0	20,700.0	22,400.0		EUR	+36.6%
India	ECGC	24,633.0	23,530.0	26,411.0	28,117.0	35,695.0	37,421.0	50,420.0	52,766.0	-		INR (Cores)	+114.2%
Italy	SACE	2,610.0	3,080.0	3,628.0	5,258.0	7,668.0	8,233.0	10,084.0	8,300.0	11,100.0		EUR	+325.3%
Japan	NEXI		1,415.0	1,541.0	1,701.0	1,955.0	6,414.0	5,347.0	6,048.0	-		YEN (bn)	+327.4%
Luxembourg	ODD	-	-	-	505.0	640.0	725.0	1,050.0	1,405.6	-		EUR	+178.3%
Netherlands	Atradius	-	-	-	-	-	-	-	-	-		EUR	
Norway	GIEK	2,680.0	3,562.0	3,238.0	3,521.0	2,980.0	4,889.0	11,400.0	15,222.0	16,640.0		NOK	+520.9%
Poland	KUKE	1,450.5	1,797.2	2,697.7	3,172.7	2,891.7	3,582.9	3,991.1	-	-		USD	+175.2%
Slovak Republic	Eximbanka SR	36,400.0	53,900.0	54,600.0	66,900.0	70,200.0	-	-	-	-		SKK	+92.9%
South Korea	KEIC	-	-	-	62,900.0	73,200.0	82,700.0	91,600.0	129,800.0	-		KRW	+106.4%
Spain	CESCE	-	-	-	-	-	-	-	-	-		EUR	
Sweden	EKF	26,778.0	22,795.0	16,686.0	20,450.0	27,204.0	39,555.0	23,943.0	32,905.0			SEK	+22.9%
Switzerland	SERV	2,102.0	1,952.0	2,201.0	2,338.0	1,513.0	2,527.0	3,537.0	2,394.0	-		CHF	+13.9%
USA	Ex-Im	7,448.0	8,371.0	8,482.0	8,672.0	10,023.0	8,863.0	9,295.0	10,763.0	14,745.3		USD	+98.0%

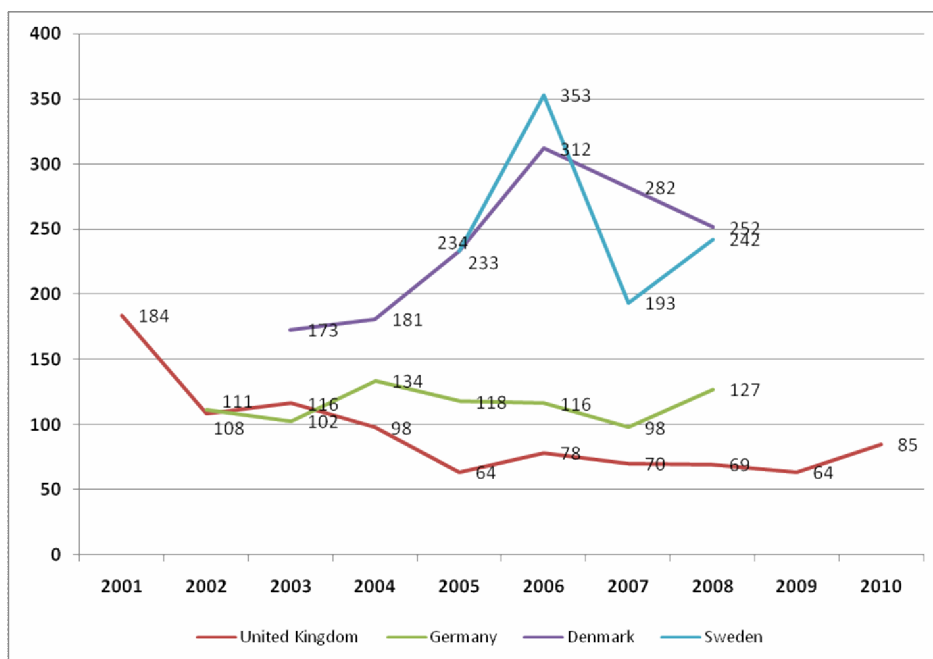


7. Relative impact of European ECAs

One method of calculating the value of an ECA is to work out how much business is generated per unit of operating costs. ECGD's ability to generate wealth for the UK is clear: each £1 of ECGD operating costs helps generate significant orders for UK companies, e.g. £64 in 2009 (see Graph 8 below) and all at no cost to the UK taxpayer⁷. This figure compares well with the UKTI statistics whose export support generates £16 for every £1 of taxpayer's money spent.

While ECGD has been reducing the business it underwrites, and has been reducing costs to a certain extent, other higher-turnover European ECAs generate a multiple of the business generated by ECGD. This indicates that ECGD is not fulfilling its potential to deliver higher value for money.

Graph 8: Selected ECAs' ratio of generated business volume vs operating costs



Administrative burden

Simplification of administrative procedures could facilitate greater use of ECGD, particularly by SMEs. Multinational exporters report that there is greater bureaucracy in the application process for ECGD than for the French and German ECAs, especially with regard to the completion of the Bribery and Corruption procedures, notwithstanding that all European ECAs are subject to the same OECD guidelines. For example, while the same number of forms are required for an application to ECGD, Coface (France) or Hermes (Germany), the depth and breadth of the ECGD question set results in the need for review and signature by 5 senior company executives while a Coface or Hermes application for the same product needs signature by only 1 such executive. ECGD also requests audits in addition to the representations made by these exporters whereas Coface and Hermes are able to rely on the representations themselves.

⁷ Since 2001, ECGD's premium income has always been higher than its operating costs (figures excluding claims and recoveries).



8. BExA's recommendations

BExA's concludes that ECGD should be re-engineered, be more pro-active, and aim to be the "best-in-class". The following is an extract from BExA's Manifesto for Exporting, launched on 22nd February 2010:

ECGD needs to be part of Government trade policy. Under the present Government, operating until recently in a benign economic environment, ECGD has been reviewed, cut and tied in regulation. We need it to be robustly supported and reinvigorated, to encourage exports while banks and credit insurers' appetites recover. Sustainable exports will lead to the creation of long term jobs.

BExA hopes that the Government will use the Business Principles consultation as a springboard for the re-invention of ECGD.

a) Innovation

- *ECGD must widen its product range from only supporting capital and semi-capital goods/services – which is particularly valued by the aerospace sector - to all types of exported goods and services including those sold on short-terms of payment*
- *Government should obtain authorisation from the EU to write short-term export credit insurance and lobby to allow short-term support to be continued after the end of the current allowance for underwriting "non-marketable risk" at the end of 2010.*

b) Outsourcing of ECGD administration

- *ECGD should free-up front-line staff by outsourcing first-stage information gathering and credit analysis to commercial organisations.*
- *ECGD should reach out to SMEs, who neither have the knowledge of ECGD nor expertise in placing credit insurance cover for themselves, by enlisting the thriving (and FSA-regulated) UK commercial credit insurance broking network as a marketing arm to distribute its products and ensure that the cover is operating correctly.*
- *Consideration should also be given to combining ECGD with a commercial entity in order to make administrative savings. Such outsourcing is common amongst other EU ECAs.*

Strong leadership

ECGD has the potential to increase the competitiveness of UK exports by providing export credit insurance and finance to complement commercial solutions. The Government should see ECGD as a natural constituent of export promotion. It should go further than simply co-locating ECGD with UKTI, and lead the two entities forward very visibly (we are not advocating a merger of these two departments). A strong ECGD would benefit UK exports, economy and jobs, helping to lead the UK out of recession.



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Czech Republic	http://www.egap.cz/pojistne-produkty/index-en.php http://www.ceb.cz/content/view/36/15/
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BExA is a politically independent national trade association representing the interests of the export community

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