

SELECTED EXPORT FINANCING SYSTEMS

Annexed are descriptions of the export financing systems of the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom, drawn from a comprehensive technical study prepared by the United Nations.¹ Each country description is divided into three sections, "Institutional Framework," "Financing Procedures," and "Export Credit Insurance." The first section covers the institutions which finance and refinance medium-term and long-term suppliers' credits and grant buyers' credits. The second section sets out the application procedure and the terms and conditions on which these credits are granted or financed and refinanced, while the third section describes the export credit insurance process and provides quantitative information on the insurance of all export credit transactions including short-term export credits. The country descriptions may be considered as representing the situation in mid-1966, except where noted (especially for statistics).

In response to the interest and inquiries of the Committee, information on two types of special governmental export financing facilities is presented below, supplemented with additional data where available to the Department of Commerce. These special export financing facilities are:

(a) Programs to guarantee or insure the repayment of export credit which is in the "national interest" and which otherwise would not meet the normal criteria for the issuance of export credit guarantees or insurance;

(b) Special central bank or other facilities for the discount or refinancing of export paper, sometimes at preferential rates.

It should be noted that the responsiveness of various export credit systems to their exporters' needs depends partly on the formal programs that are offered and partly on the flexibility of their administration.² The effectiveness with which these systems are administered is not evaluated.

NATIONAL INTEREST FUNDS

United Kingdom.—The Export Credit Guarantee Department (ECGD) of the Board of Trade insures credit terms extended by British exporters and guarantees financing extended by British private banks, in much the same way as the United States' Foreign Credit Insurance Association and the Eximbank's guarantee program operate. The ECGD's statutory authority is in the Export Guarantee Act. Section I of this Act deals with strictly commercial transactions and applies normal creditworthiness criteria respecting repayment. By far the largest portion of ECGD's business is conducted under Section I, amounting to a maximum liability of \$4 billion on March 31, 1967.

Section II of the Act provides separate statutory authority for a "national interest fund":

"For the purpose [of encouraging trade with places outside the United Kingdom], or for the purpose of rendering economic assistance to countries outside the United Kingdom, the Board of Trade may with the consent of the Treasury make arrangements for giving such guarantees to, or for the benefit of, persons carrying on business in the United Kingdom as appears to the Board to be expedient in the national interest."

As stated in the ECGD's publication, *ECGD Services*:

The cover is substantially the same as that given under Section I, the essential difference being that the Advisory Council do not consider that the proposition is insurable on a commercial basis; similar premium rates also apply.

In general terms this cover falls broadly into two categories: (a) cover on exports to markets where the Advisory Council considers the prospects too uncertain for Section I cover to be given, and (b) cover involving complex underwriting techniques, experimental forms of cover and cases where the overall selection of risks appears to be heavily weighted against the Department.

¹ United Nations. Department of Economic and Social Affairs. *Export credits and developing financing. Part II: National export credit systems*. New York, 1967.

² For example, individual programs may be more or less (a) competitive in meeting foreign credit terms; (b) aggressive in seeking out and developing certain markets; (c) prompt in service, based upon extensive back-up facilities such as credit files on foreign importers, field offices, etc.; (d) capable of accommodating special conditions of individual transactions; (e) capable under law of in practice of going beyond creditworthiness considerations to promote desirable export transactions.