

*Suppliers' and buyers' credits over two years*

385. For contracts of two years and upwards, the banks have agreed to provide export finance at a fixed rate, at present 5.5 per cent, where the credit is covered either by ECGD bank guarantees or by ECGD financial guarantees. The latter are designed for major projects involving payment over more than five years and enable the ECGD to cover direct loans made by credit institutions to the foreign buyer, thus enabling the supplier to be paid on a cash basis.

386. The Bank of England stands ready to refinance insured export credit of two years or more. The amount refinanceable is either 30 per cent of the loan outstanding or repayments due to be made by the buyer in the next eighteen months, whichever is the greater. The commercial banks may count what is thus refinanceable as liquid when calculating their liquidity ratios, and for this reason have so far not needed to make use of the refinance facility. The Bank also stands ready under a separate scheme to refinance the whole of the outstanding balance of an insured export credit five years or more after its origin, but the banks are not entitled to regard the additional amounts refinanceable under this scheme as liquid assets.

EXPORT CREDIT INSURANCE

387. In the United Kingdom two institutions provide export credit insurance. By far the greatest part is provided by the Export Credits Guarantee Department (ECGD), but a private firm, the Trade Indemnity Company, Limited, also provides cover for commercial risks only.

388. The ECGD is a government department directly responsible to the President of the Board of Trade. The Department's statutory authority was established by the seven Export Guarantees Acts (1949-1964), which enable the Department to issue guarantees and accept the resulting liabilities. Business up to a maximum liability of £1,500 million may be transacted under section 1 of the main Act, whose purpose is to encourage overseas trade. Under this section, guarantees must have the consent of the Treasury and are considered by the Advisory Council. This Council, which meets monthly, consists mainly of experienced bankers and businessmen and its recommendations are followed by the ECGD. The ECGD plans to transact business under section 1 on a self-supporting basis over a period of years.

389. Under section 2 of the main Export Guarantees Act, cover up to a total of £1,300 million can be given with the consent of the Treasury when it is "in the national interest" to help trade or give economic aid. The Advisory Council need not be consulted with regard to these guarantees.

390. The majority of economic assistance loans given by the United Kingdom to Commonwealth and other countries for the purchase of United Kingdom goods have been administered by the ECGD under sections 2 and 3 of the Export Guarantees Act. These loans and their administration have not, however, been a major part of the Department's activities. Towards the end of 1964 a new ministry, the Ministry of Overseas Development, was formed, having responsibility for the whole of the United Kingdom's aid programme. The ECGD's responsibility for administering United Kingdom tied aid has now passed to that Ministry.

391. The two main types of insurance given are classified as "comprehensive" and "specific".

*Comprehensive insurance*

392. Under this type of cover the Department requires a large spread of risks and a high turnover, covering the relatively safe business as well as the less safe. Comprehensive policies were originally issued to cover consumer goods business on a short-term basis (credits of up to six months). Since 1959, however, all business on repayment terms of up to five years can be insured under the comprehensive policy provided it is of a recurring nature and covers a wide range of buyers and markets.

393. The ECGD believes that this insistence on a wide range of business enables it to insure a wider range of risks, guarantee a higher proportion of the total business and in the long term to reduce premiums. The exporter either undertakes to insure all of his export business during the next one or three years, or his export business in specified markets only, during the next year.