

than the 100 per cent payable under the bank guarantee. The bank's recourse in a case of non-payment of promissory notes or bills of exchange is to the ECGD not to the exporter, who thus gets his finance from the bank on a non-recourse basis.

401. Alternatively, the ECGD may give financial guarantees on loans made by commercial banks or other financial institutions direct to the foreign buyer. This facility, introduced in April 1961, is a departure from the ECGD's normal business of guaranteeing suppliers' credits and is administered through its Financial Guarantee Division. Financial guarantees are available for projects such as power stations, steel mills, railway projects, etc., normally costing at least £2 million, excluding local expenditure, or £1 million in the case of ships. The nature of the assets created in all cases must be such that their useful life extends substantially beyond the period of the loan. Normally the buyer is expected to pay from his own resources direct to the supplier at least 20 per cent of the contract price; the remaining 80 per cent is paid to the supplier out of the loan made to the buyer, the loan being guaranteed 100 per cent (capital and interest) by the ECGD. In arranging a financial guarantee, the supplier initiates preliminary discussions with the ECGD and the bankers as soon as he starts negotiations with a buyer on a project for which a financial guarantee is required. In the United Kingdom, it is the supplier who makes the arrangements for the ECGD financial guarantee and pays the premium. No approach by the buyer will be entertained by the Department, and he must be introduced by the supplier to the financial institution arranging the financing. No mention should be made to the buyer of the proposed financial guarantee.

402. Financial guarantees are available only for especially worth-while business which satisfies certain conditions, among which are:

(a) The existence of good commercial grounds for gaining the contract, that is, that it might eventually assist the United Kingdom balance of payments; or, maintain a position in an established market; or, stimulate an industry short of orders;

(b) The credit-worthiness of the buyer must be satisfactory to the ECGD and the economic and political risks in the overseas market must be at a level acceptable to the ECGD.

TABLE 62.—UNITED KINGDOM: TOTAL BUSINESS DECLARED,¹ 1949-50 TO 1965-66

[In millions of pounds]

Fiscal year	Commercial business (sec. 1)	National interest business (sec. 2)	Total
1949-50	259	1	260
1950-51	317	20	337
1951-52	441	37	478
1952-53	388	17	405
1953-54	380	17	397
1954-55	381	30	411
1955-56	395	31	426
1956-57	450	42	492
1957-58	483	27	510
1958-59	549	21	570
1959-60	671	23	694
1960-61	721	22	743
1961-62	806	39	845
1962-63	924	52	976
1963-64	1,093	² 68	1,161
1964-65	1,243	² 71	1,314
1965-66	1,412	69	1,481

¹ Including exports made under all guarantees, together with raw materials shipped for processing overseas, services rendered or work completed under services and constructional works guarantees and goods shipped from 1 country to another under external trade guarantees. Excluding advances made under economic assistance loans.

² Including £32,000,000 advanced under financial guarantees.