

Export credit agencies

The June 1999 issue of *Finance & Development*, which dealt with the accomplishments and problems of economies in transition, was superb. The articles devoted to this subject provide a valuable insight into the extraordinary progress achieved against overwhelming odds in undoing decades of economic mismanagement in the afflicted countries of the former Soviet Union and its erstwhile satellite nations. Although two of the articles in this issue hint at the importance of exporting to economic development by indicating the growth of trade, this absolutely critical element is not addressed in the text. A fascinating chart would have been a correlation of export growth rates with the activities of officially sponsored export credit agencies (ECAs).

For example, the highest average annual growth rate of exports (24 percent) is shown for the Baltics, where Latvia's national ECA, Latvijas Eksportkredits, is rapidly expanding its activity. The same can be said of Lithuania's ECA, Lietuvos Eksport ir Importo Draudimas, and of Estonia's Export Development Agency. In Central Europe, with average annual export growth rates of more than 15 percent, effective and well-managed ECAs include EGAP in the Czech Republic, Hungary's Export-Import Bank, Poland's KUKE, the Export-Import Bank of the Slovak Republic, and the Slovene Export Corporation.

In southeastern Europe, with export growth rates of 3 percent, Romania's Eximbank is less dynamic than the examples cited above, while Bulgaria has only recently established the Bulgarian Export Insurance Agency. Both Albania and Bosnia and Herzegovina have fledgling trade finance

agencies, supported by the World Bank, that offer repayment guarantees to those selling on credit to private sector buyers if nonpayment is the result of political events, such as lack of foreign exchange, war or civil disturbance, currency inconvertibility, and similar risks. The Federal Republic of Yugoslavia (Serbia/Montenegro) no longer has an official export credit agency.

In the Commonwealth of Independent States, specialized export finance remains essentially unavailable. Export growth in these countries has been largely in raw materials and commodities, which are sold internationally for cash or near-cash. The Export-Import Bank of Russia appears mired in a formative stage; the Ukraine Eximbank is not really an ECA; and, while Armenia is considering creating an ECA, there has yet to be action. Exports of value-added goods, providing the most benefit for an exporting economy, require adequate pre- and postshipment financing facilities.

By supporting exporters' working capital needs and providing postshipment export credit insurance, ECAs could help many firms throughout the region to become effective competitors in the global marketplace. We have found, by helping to launch and improve export credit agencies supporting exporters in over a hundred countries around the world, that ECAs are an essential element in establishing and maintaining competitiveness and expanding exports, thereby contributing to a vibrant, rapidly growing national economy.

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