



Export Credit & Trade: Is There a Role for the ECAs in the Arab Region?

انتظام الصادرات والتجارة: هل من دور لوكالات ائتمان الصادرات في المنطقة العربية؟

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The Arab Investment & Export Credit Guarantee Corporation

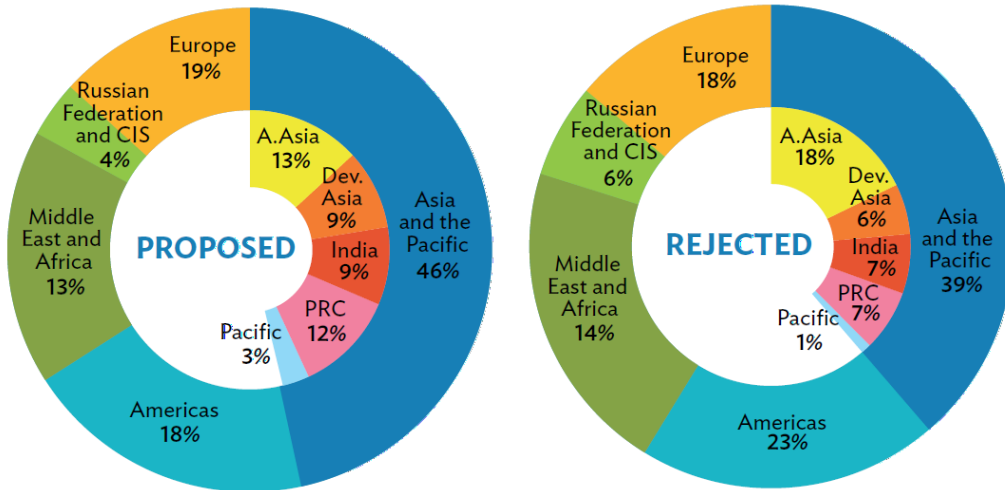
State of Kuwait

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Trade Finance Gaps & Export Credit

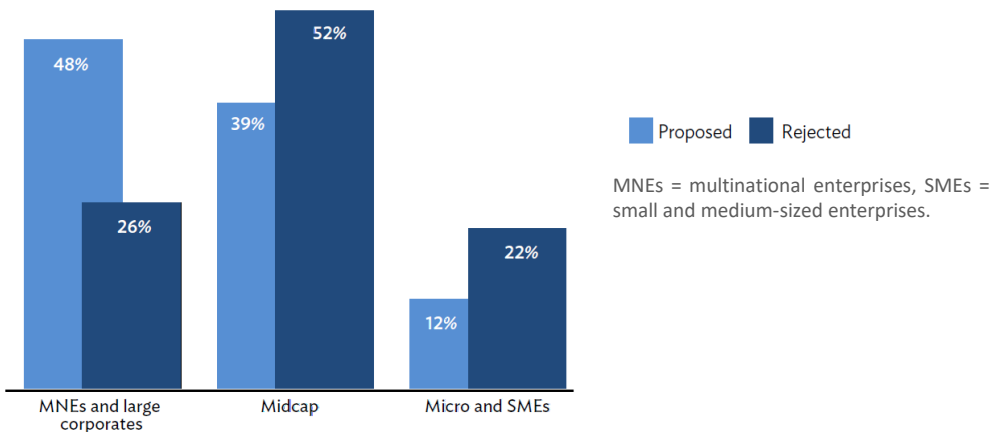
Trade finance gaps persist for emerging economies and small and medium-sized enterprises

Proposed and Rejected Trade Finance Transactions

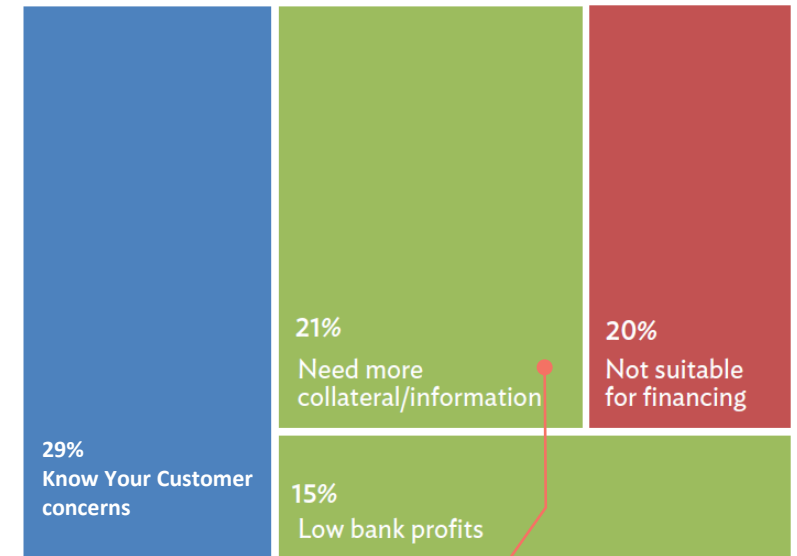


A.Asia= Advanced Asia (Hong Kong, China; Japan; the Republic of Korea; and Singapore); CIS= Commonwealth of Independent States; Dev. Asia= Developing Asia excluding the PRC and India; PRC= People's Republic of China.

Source: ADB. 2017 Trade Finance Gaps, Growth, and Jobs Survey.



Reasons Banks Reject Trade Finance Applications (% of rejections)

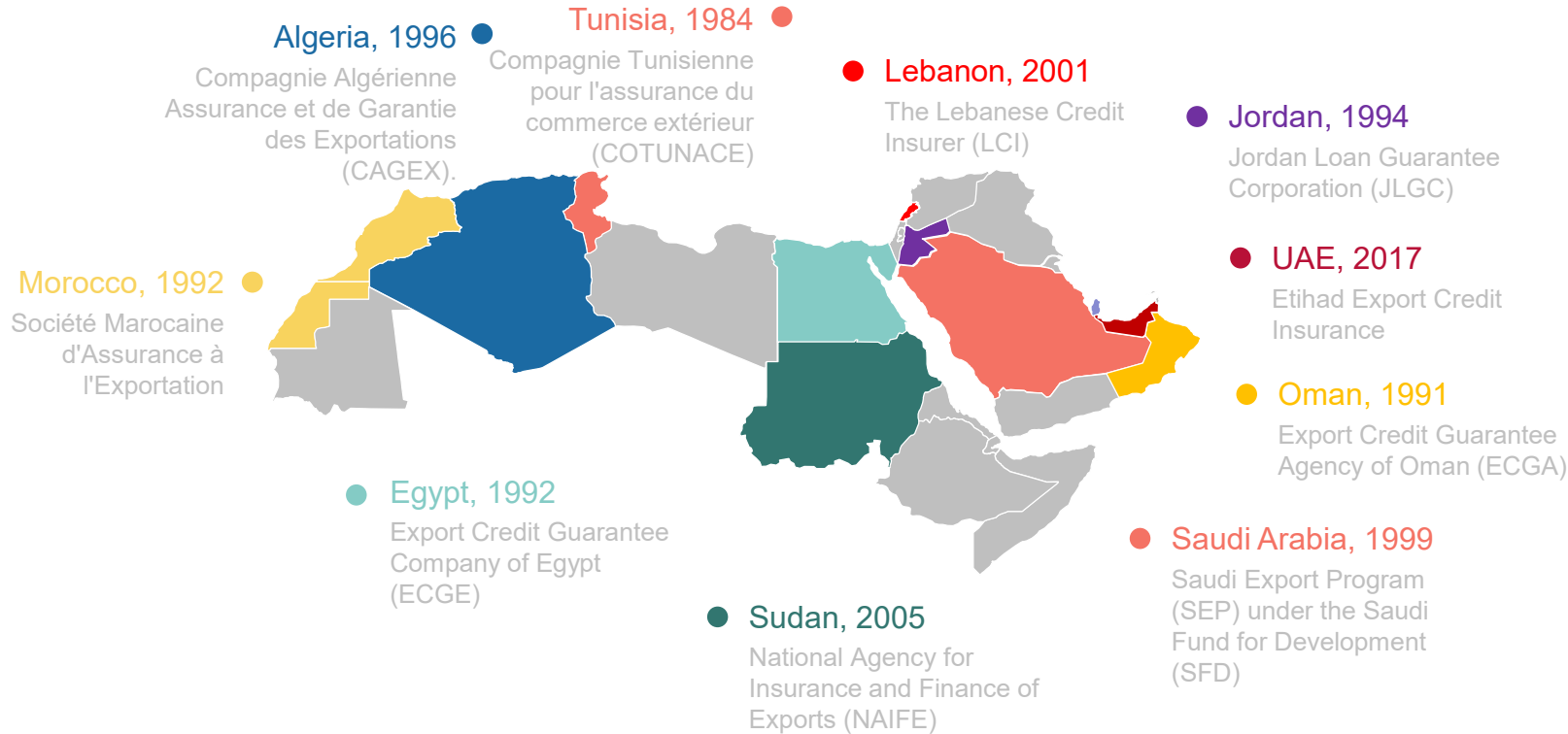


Role of Export Credit Agencies

- ✓ Offers insurance protection to exporters against payment risks
- ✓ Provides guidance in export-related activities
- ✓ Makes available information on different countries with its own credit ratings
- ✓ Makes it easy to obtain export finance from banks/financial institutions
- ✓ Assists exporters in recovering bad debt
- ✓ Provides information on credit-worthiness of overseas buyers

ECAs in the Arab World

Arab Countries with ECA Facilities



المؤسسة العربية لضمان الإستثمار وائتمان الصادرات
The Arab Investment & Export Credit Guarantee Corporation



The Arab Investment & Export Credit Guarantee Corporation (Dhaman), 1974



The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), 1994

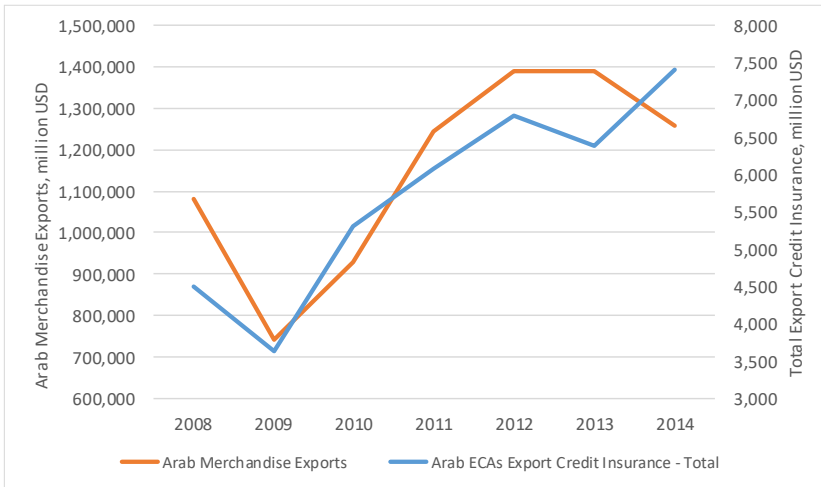
National

Multilateral

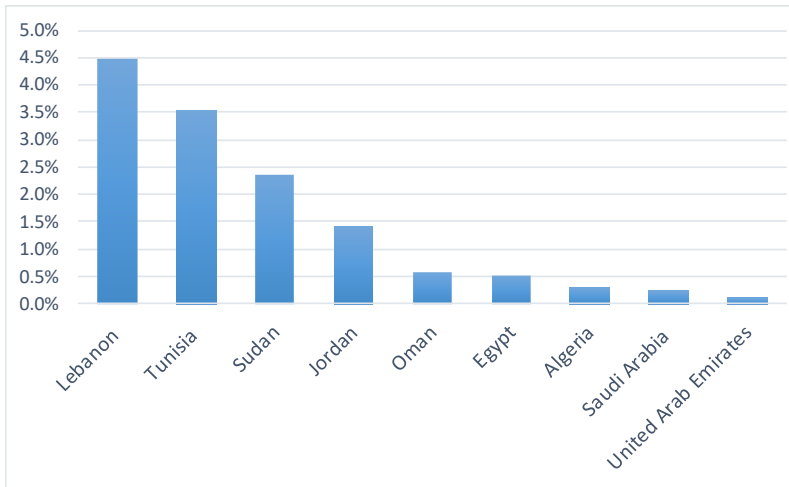
Illustrative Figures

Merchandise exports and trade insurance volumes in the Arab Cs

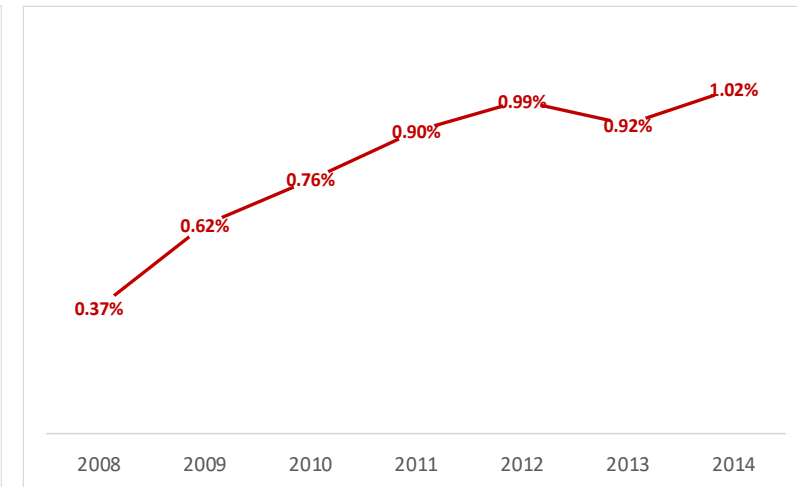
Merchandise Exports and ECAs Export Credit Insurance



Trade Insurance Volumes as a Share of Merchandise Exports



Trade Insurance Volumes as a Share of Merchandise Exports for the Group of Selected Arab ECAs



Sources: Aman Union for credit export insurance series covering 9 Arab ECAs; UnctadStat for merchandise exports series.

vs.



The Berne Union is an international not-for-profit trade association, representing the global export credit and investment insurance industry.

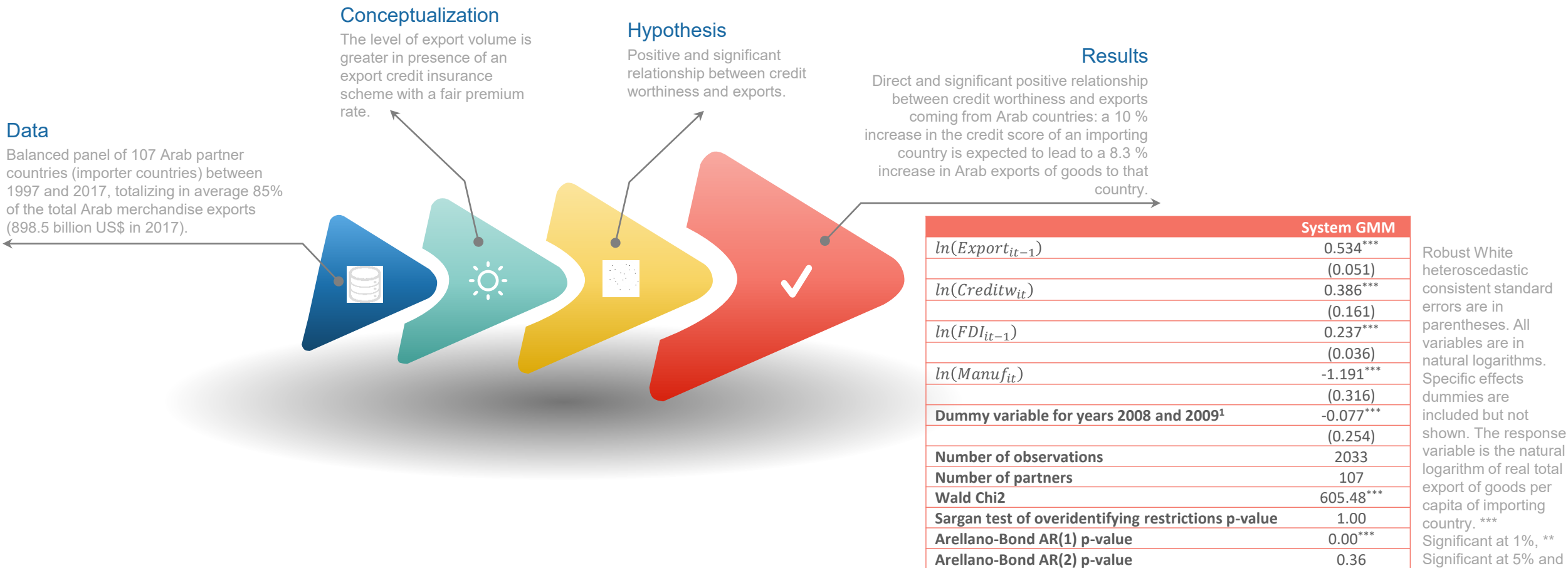
Record USD 2.5 trillion of trade and investment supported by Berne Union insurers in 2018

This amounts to the equivalent of 13% of total world cross-border trade



Arab Exports and Credit-Worthiness

Evidence for the practicality of specialized export financial institutions to financing exports and mitigating credit risk.



¹ Global merchandise trade sharply declined in late 2008 and early 2009. Therefore, a crisis dummy variable is added as an independent variable; it takes the value one for years 2008-2009 and 0 otherwise.

Boosting Arab Exports

Clear and compelling justification to the usefulness of ECAs,
but....



For More Details

See Dhaman Working Paper WP/2018/02

<http://dhaman.net/en/>



Dhaman Working Paper

Has Export Credit Guarantee Any Role in Promoting Exports in Arab Countries?

Riadh Ben Jellili



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Abstract:

Limitations on the availability of timely and affordable trade financing, including export credit guarantee, are contributing to modest trade growth during the last five years, therefore it must be a matter of priority to improve our understanding of the linkages between financing/risk mitigation and trade activity, ensuring adequate levels of the former, to help fuel growth of the latter.

The existing research works on the effects of export credit insurance on export promotion mostly are concentrated around several European countries. Yet nothing is known about the influence of export credit guarantees on exports in the Arab region, where the structure of export industries and key trading partners significantly differ from other regions. The purpose of this paper is to bridge this gap by investigating empirically the significance of the relationship between exports and credit-worthiness of importing countries, using Arab merchandise export values. Corroborating evidence for such relationship gives support to the usefulness of specialized export financial institutions to finance exports, mitigate credit risk and keep trade finance markets in Arab countries from drying up. A dynamic panel approach is adopted to estimate an adjusted gravity model. The empirical results, based on a balanced panel of 107 Arab partner countries (importer countries) observed between 1997 and 2017, provide a strong and robust justification to the role of export credit insurance and guarantees in promoting merchandise exports in the Arab region.





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ATTENTION**