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Bachelor Thesis

Financing and promoting exports: The role of financial instruments and specialised institutions

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Executive Summary

The present work analyses export credit agencies, institutions which are tasked with financing and promoting a nation's exports (Gianturco (2001)). The thesis is split into three parts. The first one is an in-depth look at export credit agencies and their *modus operandi* at a general level (Chapter 2). The second part represents a case study of EximBank Romania, also acting as the ECA of Romania (Chapter 3). The last part is a discussion of the interview conducted with EximBank's employee, Mrs. Corina Vulpeş. In this interview are described a series of important aspects related to the functioning of ECAs in general, as well as of EximBank Romania (Chapter 4).

I first provide a relevant background by defining what an export credit agency is and by highlighting some of its main features. Then, I look into the history of export credit agencies throughout the twentieth century, from their inception in 1906 to the 1990s. Afterwards, I describe their role in international trade by illustrating the types of ECAs that exist and by discussing the role of the private sector in export credit activity. The issue of ownership is also regarded, as the advantages and disadvantages of private vs. government ownership are discussed. Then, I inspect the different international institutions which influence export credit agencies and their activity.

Moreover, I examine relevant research on the effectiveness of ECA activity. The main takeaway is that export credit agencies are successful in increasing exports, however the magnitude of this effect is questionable. I then look at how ECAs can increase the volume of trade during financial crises.

Subsequently, I give a detailed description of the risks covered by export credit agencies, describing both political and commercial risks, followed by a look at the various insurances, guarantees, credits and other instruments employed in export credit activity. Lastly, I consider the fees charged by ECAs, as well as the reserves which need to be accumulated in order to cover possible claims.

The second part begins with an overview of the Romanian export environment, including export partners and export products. I then look at EximBank Romania, part of the EximBank SA Group, a state-owned bank which has a branch dedicated to export credit activity and acts as the ECA of Romania. The two branches of the bank are described: the one acting as a normal commercial bank, and the one acting on behalf of the Romanian State (where ECA activity is performed). EximAsig, the insurance company which is also part of the EximBank SA Group, is also briefly depicted.

The scope of the interview discussed in Chapter 4 is mainly to provide better insight into EximBank Romania, as talking to the person effectively responsible for ECA activity with-

in the bank would provide useful information, both about the institution in which she works and about ECAs in general, also touching upon how recent political events may affect ECA activity. Political unrest is likely to increase ECA activity, because the risks to which exporters are exposed increase. It is also possible that they simply become more aware of risks which had existed beforehand, and therefore purchase export insurance for their transactions.

I conclude that EximBank Romania acts as a fully-functioning export credit agency, integrated in a European environment. It voluntarily conforms to the recommendations of the OECD (Organisation for Economic Co-operation and Development) regarding issues such as environmental and social impact and anti-bribery, despite the fact that Romania is not a member of this organisation (Organisation for Economic Co-operation and Development (2018a)). EximBank Romania is a member of the Berne Union (Berne Union (2018c)), being actively engaged in discussions with other export credit agencies around the world. As stated in the interview, EximBank offers the products demanded by Romanian exporters and, should their needs change, other products can be created to satisfy the new requirements.