FINANCE FOR EXPORTS

Introduction

Recent developments in the balance of payments have sharply re-emphasised the vital importance to the United Kingdom of a high and rising level of exports. For this reason the problem of credit for exports in all its aspects, including the question of the terms on which export credit insurance can be obtained from the Export Credits Guarantee Department, has been reviewed over recent months by the Government Departments concerned. The Bank of England have also taken part in this review, their particular concern being with the availability of finance for exports and the terms on which it can be obtained.

Export financing machinery

In former times, export financing fell into a comparatively simple pattern. The great bulk of the business was effected on a short-term credit basis, making use of bills or bank overdrafts. Where large capital projects were involved and longer-term finance was needed there were a number of possible methods. If the project was being undertaken by a public authority, that authority might itself float a bond issue on one or other of the international capital markets, of which London was one of the most important. If the project was being undertaken by an overseas company, that company might similarly make a bond or equity issue in London or some other centre. Finally, many such projects were undertaken by U.K. companies, who naturally looked for their financing to the London market. By one or other of these means it was usually possible to arrange finance of sufficiently long-term for the expected earnings of the project to provide satisfactorily for amortisation.

It has not been possible since the Second World War to re-establish this pattern of long-term lending to any great extent. For this there have been a number of reasons. Perhaps the most fundamental has been a lack of confidence on the part of lenders in the capital exporting countries in the political and economic stability of many of the would-be borrowing countries. Another reason has been the heavy demand for capital for reconstruction and development in the capital exporting countries themselves. At the same time, the capital importing countries have been anxious greatly to increase the rate and scale of their development in all fields and this has generated a demand for finance far exceeding that which private lenders in the capital exporting countries are prepared to provide unaided. So far as the United Kingdom was concerned, these last two factors led to the virtual exclusion from access to the London market for long-term borrowing of all overseas official borrowers (including public authorities) other than Commonwealth Governments within the sterling area. For similar reasons, overseas companies have not in general been allowed to raise money in the London market for projects of the sort under consideration. U.K. companies have continued to have access to the market and, though less obviously, have continued to play their former role. Previously, it could fairly be assumed that funds raised by U.K. companies with large overseas interests, for example, in plantations, mines or public utilities, were to be used for investment overseas. Now, the amounts raised on the London market by such companies are small; on the other hand, some part of the funds raised by U.K. manufacturing companies may be used for investment in overseas subsidiaries or in extending credit to overseas importers. The amounts used for these purposes are less easily identifiable than those raised by companies whose interests are wholly overseas. In fact, the pattern of development finance in the capital receiving countries has changed considerably and this, together with the growth of manufacturing industry, has caused greater reliance to be placed on medium-term credit for the import of capital equipment of all kinds.

For Commonwealth Governments, private lenders in the London market have provided considerable amounts of finance during the post-war period; but latterly it has increasingly been necessary to supplement this by lending from official sources.

For other borrowers different arrangements had to be made. The insufficiency of long-term capital relative to the demand and, in particular, the competition of foreign exporters made it essential that United Kingdom exporters should be able to offer extended credit terms for an increasing proportion of U.K. exports; but at the same time the slenderness of the United Kingdom's reserves throughout the post-war period compelled the authorities to insist that the proceeds of exports should be received over as short a term as possible. Although, since 1954, Exchange Control have allowed exporters of capital goods to give whatever length of credit they considered to be necessary, the period of E.C.G.D. guarantees has generally been limited to five years. This has meant, in practice, that for many of the large capital goods exports, which in pre-war days would have been financed, directly or indirectly, on a long-term basis, the maximum period of credit has usually been five years from the date of shipment. The provision of finance for so short a period did not appeal to many important groups of institutional lenders, such as insurance companies and pension funds who like to invest at longer term. Because of this the provision of finance for exports has come to rest to a much greater extent than in the past on the joint stock banks. A large part of the banks' contribution to export financing still takes the form of overdrafts to provide working capital for their customers, whether at short or medium term. In addition the banks provide finance for specific export transactions, normally at medium term, though they are usually unwilling to do this for a period of more than five years from the date of shipment.

Short-term finance In volume, most export credit falls into this category. Consumer goods are customarily sold for cash or on credit terms not exceeding six months, and such sales are financed through the banking system either by the discounting of bills or by way of overdraft facilities. Few difficulties have arisen over the provision of this type of finance to credit-worthy exporters. It is not, of course, always possible for a bank to determine whether an advance is for the purpose of financing exports, since the firm to whom the advance is made available will rarely export the whole of its production and some firms which do no export business nevertheless manufacture components for goods which are ultimately exported. The restriction of credit from early in 1960 has forced the banks to look at all applications for advances with a more critical eye; but, being well aware of the vital importance of the provision of funds for exports, they have made every effort to see that this kind of advance was not affected by the restrictions.

Intermediate-term finance This phrase may be used to cover credit granted for up to three years; capital equipment, such as agricultural machinery, textile machinery, trucks, tractors and small machine tools is normally exported on such terms. The credit granted for the period after shipment may be provided either by way of overdraft facilities or by way of advances against the security of promissory notes issued by the importer and lodged by the exporter. In this category too, few difficulties have been found.

Medium-term finance Medium-term credit can be defined for this purpose as credit for periods of over three years after shipment and is normally confined to the export of heavy capital equipment, though the export of large quantities of lighter equipment, such as fleets of trucks or textile machinery for equipping a whole new mill, will often be financed at medium term rather than at intermediate term. Medium-term finance is provided sometimes by the exporters' bankers alone and sometimes through a consortium of banks, often organised by a merchant bank.

The general practice in such cases is for the importer to make payments of, perhaps, 10% of the contract price on placing the order and, say, a further 10% on delivery of the goods. The balance of the contract price, or the greater part of it, is advanced by the bank or banks concerned, the importer repaying the bank by instalments, generally half-yearly, over the term of the credit. Promissory notes issued by the importer are often taken by the banks as collateral security.

In this field, the length of the credit and the large amounts involved have made it customary for the banks to require the assignment of an E.C.G.D. insurance policy, or the support of a direct E.C.G.D. bank guarantee which transfers

the recourse risk to the E.C.G.D. Although the banks have some hesitation about the extent to which they should commit their funds in lending on such extended terms on non-marketable security, the needs of reputable exporters have in general been satisfactorily met.

Long-term finance The export of heavy capital equipment such as a complete steel plant or a power station, the capital cost of which would normally be amortised over a period of twenty years or more, is beyond the scope of the joint stock banks to finance. It is chiefly in this field that difficulty has been experienced. The demand for such exports tends to be concentrated in the developing countries and the finance of such projects accordingly is often more in the nature of development aid than export promotion and, in default of market borrowing by the purchaser, has had increasingly to be supplied by means of government loans under Section 3 of the Export Guarantees Act, 1949 (as amended). At the end of May 1961 twenty loans (not all for heavy capital equipment) had been granted under the authority of this Section.

Pre-shipment finance In whichever of the above categories exports may fall the manufacturer may require credit during the period of production and it is here that the difficulty of determining when credit is or is not made available for the purpose of financing exports is greatest. It is for this reason virtually impossible to deal with this aspect of the problem except on the basis of the general creditworthiness of the exporter.

Export Credits Guarantee Department Over the years the E.C.G.D. has been covering a rising proportion of U.K. exports, the figure at present being somewhat under one-fifth of the total. However, the financing arrangements outlined above could not be completed except in the case of exports to markets of undoubted credit standing without the participation of the E.C.G.D. Because of the inability of the importer to raise the necessary finance unaided, the responsibility for finding the funds has been passed back to the exporter, and he in turn has often been obliged to seek the assistance of his bank. But the risks that the overseas buyer will be unwilling or unable to make payments when due, or will be prevented by government action from doing so, are substantial; and the banker would not be prepared to commit resources, especially where a relatively long term was in question, unless (in default of the borrower putting up firm security) the special risks associated with overseas lending could be transferred to some outside agency of undoubted resources. Exporters are not generally able or prepared to tie up their own assets in the raising of such finance; and, in consequence, the finance of exports in general, and particularly of capital goods for all but the safest markets, is dependent to a very large extent on the availability, as a form of collateral, of insurance of the credits by the E.C.G.D.

The Department issues two main types of guarantee:

1. Comprehensive guarantees for short-term credit (up to six months) on consumer goods and for credit up to five years on light capital equipment.
2. Specific guarantees for credit up to five years after shipment on individual contracts for heavy capital equipment.

Both types of policy cover 85% of loss through the insolvency or protracted default after acceptance of the buyer; and 90% (in some cases 95%) of losses through the imposition of fresh import restrictions, delay in transfer of sterling, and certain other risks outside the control of buyer or seller and otherwise uninsurable. For contracts of £100,000 or over with minimum repayment terms of three years, the Department is prepared to give the United Kingdom bank advancing the money an unconditional guarantee of payment in the event of default by the purchaser on his promissory notes. In such cases 90% of losses through all risks is covered.

Export credit insurance of this nature is practised by a number of countries besides the United Kingdom, and the Union d'Assureurs des Crédits Internationaux (the "Berne Union"), of which the E.C.G.D. is a founder member, exists "to work for the rational development of credit insurance in the international field". The members of the Berne Union have different practices and procedures as regards the nature of risks covered and the

percentage of contract values insured but have defined certain general principles to which they broadly adhere. One of the most important of these principles is that cover for suppliers' credit should not normally be granted for a period in excess of five years post-shipment.

Views of the Radcliffe Committee

Reporting in August 1959, the Committee on the Working of the Monetary System found that the finance of export credit, once guaranteed by the E.C.G.D., did not appear to have presented any serious problem up to that time.[a] This conclusion rested upon the fact that the E.C.G.D. did not normally grant cover for periods exceeding five years from shipment. It was not clear to the Committee whether

> "finding finance would become a problem if there was a general lengthening of the period for which the E.C.G.D. would grant cover."

The Committee suggested that circumstances might arise in which considerations of liquidity would make the banks reluctant to stretch their facilities for export credits; they also felt it possible that

> "the banks, while feeling no hesitation on the score of liquidity, might become so fully lent, . . ., as to be reluctant to add to their existing commitments on export credit."

The circumstances in which a lack of export credit might arise seemed sufficiently remote to the Committee for it to make no recommendations for any immediate measures to make good a possible deficiency. It did, however, suggest various ways in which such a shortage of credit might be remedied if the need arose and these are discussed later in this article.

Since the Committee reported there have been developments in three fields which might be expected to make a shortage of export credit less remote. From the spring of 1960 pressure has been exerted on the liquidity of the banking system, the banks' advances have risen in relation to their deposits and the E.C.G.D., in the face of competition from other countries, has tended in certain circumstances to lengthen somewhat the period for which it is prepared to grant cover.

Pressure for improved facilities

Despite the fact that the Radcliffe Committee found no serious problem over the provision of credit for U.K. exports, and that other enquiries led to the same conclusion, there has been a steady flow of requests by exporters for improved facilities of various sorts and of complaints that their rivals in other countries enjoyed advantages which were denied to them.

This is perhaps hardly surprising. Both the cost of credit and the cost of E.C.G.D. cover have to be taken into account when an exporter is deciding the terms on which he will quote for a particular contract and both are fixed by forces outside his control. Moreover, unlike the cost of credit financing, E.C.G.D. premiums cannot be charged to the buyer as a separate item, but must be incorporated in the supplier's own costings. If an exporter is under competitive pressure to quote finer terms and cannot see any ready means of reducing his own costs, it is natural that he should seek to secure a reduction in any costs arising outside his own organisation. Equally it is natural that importing countries, anxious for longer credit, should quote to one potential supplier not only the terms that have been offered by another but also the terms that it is hoped another supplier will concede. The acute shortage of capital in the post-war period, the growing volume of external debt of the developing countries—much of it short-term—and the needs of these same countries for even more capital has steadily increased the pressure on exporters to grant longer credit terms. The Berne Union has been remarkably successful in the circumstances in maintaining the general principle of a maximum period for suppliers' credit of five years post-shipment, but political pressures and increasing competition in export markets have led to some erosion. In general a competitive lengthening of credit terms would clearly not be in the interests of the industrial countries nor would a stretching out of medium-term credit be a satisfactory solution for the developing countries. Their real needs tend to be for long-term credit; if only medium-term credit can be obtained, they may be led to have recourse to it beyond their capacity to repay, relying on the possibility of re-financing at some later stage.

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[a] The Committee's review of finance for exports is contained in paragraphs 867 to 898 of its Report.

One of the aids for which exporters have consistently pressed has been a source of export credit bearing a low rate of interest. H.M. Government have, however, always taken the view that to provide this would be to introduce an element of direct subsidy to exporters (and through them to the importing countries). If this were to be done, international competition would ensure that all other exporting countries provided similar subsidies to their exporters. No lasting competitive advantage could be expected.

On the other hand, it was recognised that in some instances competing exporters in other countries were, under the pressures which have been described, being enabled to offer longer credit terms than were compatible with the Berne Union understandings and that it would be an unwarrantable burden on United Kingdom exporters to deny them facilities which were being granted to their competitors. Accordingly two changes of some importance were made in the E.C.G.D.'s facilities in October 1960:

1. H.M. Government announced that they were prepared to authorise the E.C.G.D. to insure credit on longer terms, above the normal maximum, in particular cases where this was necessary to allow the United Kingdom exporter to match terms offered by a foreign competitor with the backing of an export credit guarantee institution or equivalent official support. This concession was not, however, to cover the matching of credit terms guaranteed by other governments as part of their assistance to less-developed countries.

2. The E.C.G.D. was authorised to insure arrangements involving "part-period" cover in cases where it was not established that foreign competition on abnormally long terms was backed by a credit insurance institution, but where the E.C.G.D. was nevertheless reasonably sure that longer terms were being offered by foreign suppliers. That is to say, the E.C.G.D. has been allowed to make its facilities available to U.K. exporters for payments falling within its normal maximum five-year post-shipment credit period, the exporter being free to give credit at his own risk for any period in excess of that insured by the E.C.G.D.

The arrangement for matching officially backed foreign competition has helped exporters to compete on more equal terms with foreign suppliers. However both with this arrangement and the facility for "part-period" cover it is not always possible, at least until after the event, to demonstrate that a competitor is offering abnormally long terms or to know whether or not such terms are being covered by an official guarantee institution or its equivalent. In the case of "part-period" cover, few exporters are able to contemplate financing any considerable part of their exports on extended term at their own risk or can find others ready to put up funds not covered by an E.C.G.D. guarantee.

A re-examination of the problem

Since these two measures dealt with only a limited aspect of the problem, a general re-examination of it was put in hand towards the end of last year. The Bank once again made enquiries into the adequacy of existing facilities for credit for exports. These enquiries revealed that, while broadly speaking, exports had not so far suffered because of a lack of credit in cases where the E.C.G.D. was prepared to give its guarantee, there were potential sources of difficulty.

The pressure exerted on the banks' liquidity since the spring of 1960 had made it necessary for the banks to look cautiously at all requests for advances. It seemed possible that, although the banks would make every effort to provide export finance for creditworthy customers, real difficulties in the medium-term field might become apparent before too long because of the pressure on liquidity. At the same time the marked increase in the banks' advances in relation to total deposits in the period since the summer of 1958 gave little scope for the further expansion of advances without a corresponding expansion of deposits or yet further sales of investments. In these circumstances the banks were likely to be increasingly reluctant to expand or even maintain the proportion of their advances made at medium term.

Solutions considered The Bank, in agreement with H.M. Government, felt that there was sufficient cause for concern about a potential lack of export credit to justify remedial measures being taken. In the long-run it is desirable that the onus of mobilising the finance should be transferred from the supplier to the borrower. But even if the London capital market were to be re-opened for long-term borrowing by non-Commonwealth borrowers, it would probably provide little relief in present circumstances. The majority of the countries seeking credit, mostly less-developed countries, assuming they were able to borrow at all, would find it impossible to raise substantial sums at interest rates they would consider tolerable. In practice, therefore, only actions which had the effect of relieving to some extent pressure on the liquidity of the banks could be relied upon to make good any deficiency in the supply of export credit. The Bank therefore sought to find some means of reinforcing the banks' liquidity sufficiently to ensure an adequate supply of export credit without, however, endangering control of the total supply of credit. Among the alternative solutions considered and rejected were the following:

1. *Release of Special Deposits* Immediate relief to the banks' liquidity could most easily have been achieved by releasing a proportion of the Special Deposits called in the spring and summer of 1960. A general release would, however, have facilitated not only the provision of finance for exports but also an increase in other types of credit, and a general relaxation of monetary policy of this sort was not considered appropriate in the circumstances of the time. While it would have been technically feasible to devise a system of selective releases of Special Deposits in proportion, say, to increases in medium-term export credits, such a course had serious objections. In the first place it would have dealt only with the short-run problem of the banks and would have been difficult to administer. Secondly, it might have prejudiced the character of Special Deposits, which were designed essentially as an instrument of general control, to apply them on release to a specific and limited problem such as this. Thirdly, it would have suffered from the difficulty implicit in all selective credit controls, namely, that to grant relief for some special purpose might encourage the belief that similar exemptions would be granted to other sectors with special claims. Not only would such claims be difficult to resist, but once granted, they would tend to undermine the effectiveness of the general control of credit.

2. *Establishment of an export finance corporation* The possibility of establishing a special corporation for the finance of exports, as tentatively suggested by the Radcliffe Committee, was thoroughly explored. The difficulties here were formidable. If such a corporation were to raise its working capital in such a way as to provide relief to the banks' liquidity, it would have to rely on finding its funds almost entirely from ' non-bank ' sources. If, moreover, it were to seek deposits from the public, it would have to compete with local authorities and hire purchase finance companies for short-term funds at relatively high rates of interest and lend at somewhat longer term, with serious risks to both the liquidity and the profitability of the corporation. A more promising alternative would be to raise funds by the issue of debenture stock to institutional holders such as insurance companies, pension funds and the like. For this to be successful the debentures would have to be placed on terms attractive to insurance companies which, as the Radcliffe Committee again pointed out, implies a minimum term of some fifteen years: for different reasons, therefore, this course too would also entail serious risks for the profitability of the corporation. A more general objection to the establishment of such a corporation was that it might encourage exaggerated hopes of a large volume of export credit at all times and be viewed by foreign competitors as a vehicle for providing disguised export subsidies. Moreover, a corporation of this sort would take time to establish—particularly the recruitment of an expert staff—and would therefore have little immediate impact.

3. *Re-discounting of export bills by the Bank of England*

Another solution considered — also suggested by the Radcliffe Committee—was to use the facilities of the bill market by making the paper arising from export credits advanced by a bank and guaranteed by the E.C.G.D. eligible for re-discount at the Bank of England. There were two main objections to such a course. An unlimited right of re-discount could present the Bank of England with an obligation to re-discount paper for very substantial sums. The provision of export finance in this manner would result in an undesirable increase in the liquidity of the monetary system. Moreover, because of the wide acceptance of the bill as a liquid asset, the Bank have long exerted their influence against its use for transactions which are not by their nature self-liquidating. To dress up a medium-term export financing operation as a short-term transaction by drawing bills at 90 or 180 days and replacing them at maturity by fresh drawings of similar term would not alter the real nature of the operation but would debase the quality of the bill of exchange. There would moreover be a standing temptation to extend the process by using bills for other similar transactions equally devoid of liquidity, thus also undermining the general control of credit. There were other technical objections, the chief of which was that under existing market practice only a small proportion of export finance is in fact provided by means of bills. Promissory notes often held by the banks as security for export advances are in most cases not suitable for re-discounting.

Bank of England scheme for re-financing of medium-term export finance

The solution finally adopted was that announced on the 6th February 1961 whereby the Bank of England stand ready to re-finance part of the finance provided by the banks in respect of certain export transactions. This scheme was described in an article in the previous Bulletin. Transactions eligible for re-financing are those where a bank, or group of banks, participating in the scheme has agreed to provide finance relating to a possible export contract which is being, or has been, negotiated and the terms of which provide for deferred payments by the buyer over a period in excess of three years from the date of contract. The export contract concerned must be one for which the E.C.G.D. has agreed either:

(A) to issue a bankers' guarantee to the bank or group of banks concerned; or

(B) (i) to issue a guarantee to the exporter; and

(ii) to accept from the exporter his irrevocable authority addressed to the E.C.G.D. requiring it to pay to the bank, or group of banks, providing the finance any sums receivable under the guarantee concerned.

The part of the finance which the Bank of England will at any time be willing to re-finance will be that for which the E.C.G.D. bankers' guarantee or other guarantee, referred to above, is operative, and of which repayment is due from the buyer within eighteen months. The terms on which the re-financing is effected are exactly the same, as regards the rate of interest and the amount and date of repayment of instalments, as applied to the original financing transaction, no commitment commission or other additional charge being made by the Bank of England.

As was announced at the time, this scheme was devised primarily to meet the needs of the London Clearing Banks, the Scottish banks and the Northern Irish banks, because it is they who provide the great bulk of medium-term credit for United Kingdom exports. In so far, however, as other British banks provide medium-term finance for exports on similar lines as a normal part of their business, the Bank of England are prepared to discuss the extension of the scheme to them also.

This solution has the merits of being likely to provide immediate relief to the liquidity of the banks, of enabling the Bank to know at any time the full extent of their obligation and of not undermining the general control of the total supply of credit, while disturbing as little as possible the existing pattern of financing and

normal relationships between banker and customer. The scheme moreover provides a solution not only to the short-run problem of pressure on the banks' liquidity during a period of credit restriction but also to the problem of making the banks less reluctant to maintain or increase the proportion of their advances made at medium term, since each such advance carries with it an element of potential liquidity. It also provides relief to the banks' liquidity whether or not they actually seek re-finance from the Bank of England. Because they can be re-financed at any time at their option, the banks may, as from the 6th February, count among their liquid assets those export advances already granted by them which satisfy the requirements of the scheme and have eighteen months or less to run to maturity.

New E.C.G.D. facilities

At the same time as the Bank of England's scheme was being worked out, a general review of the E.C.G.D.'s arrangements was being undertaken, as a result of which three new developments have occurred.

Largely because of a reassessment in the light of experience of the likely level of recoveries after large defaults have occurred, it has been possible to introduce substantial reductions in the premiums charged while not departing from the underlying principle that the Department must charge such rates as to enable it to pay its way on the average over a period. These reductions are likely, in the specific guarantee field for capital goods, to amount to some 25% of total premiums charged, the main benefit being concentrated on those markets where the risk is greatest and the highest rate is therefore charged.

The second development is aimed at helping, by the issue of financial guarantees, to meet the needs for finance for very large capital projects and for ocean-going ships. The nature of these is such as to justify credit beyond the term of five years from delivery normally covered by the E.C.G.D. and such credit is already available for exports from some foreign countries for this type of capital export. In this country it has only been available since the war to such overseas governments as were able and were allowed to raise loans on the London market or were able to secure a loan direct from H.M. Government. While recognising that the balance of payments will only permit of limited lending at longer term, it has now been decided that in appropriate cases the E.C.G.D. should guarantee lines of credit for longer periods, subject to their being provided by financial institutions in this country for projects of these sorts to creditworthy overseas purchasers.

To keep the amount of this type of lending within the bounds of what can be afforded, the business will be subject to careful examination and selection. Business will not be eligible if it can properly be brought within the normal term for suppliers' credits; and this will serve to underline this country's continued support for the Berne Union understandings. To secure approval projects will normally have to cost not less than £2 million, excluding local expenditure, though for ocean-going ships a lower figure would be acceptable. The sort of projects envisaged are power stations, steel mills, pipelines, industrial undertakings, railway projects and possibly harbours and dams. The prospects of due repayment must be satisfactory and there will also have to be demonstrably strong commercial grounds for securing the contract for the United Kingdom. These would include benefit to the balance of payments, maintenance of a position in an established market in the face of competition, the development of a market with a promising long-term outlook and the stimulus to an industry which is short of orders but on which the United Kingdom expects to depend in the future for a substantial volume of profitable exports.

The aim of these guarantees will be to encourage banks and other financial institutions in the private sector to find funds for such lines of credit to overseas buyers. In certain highly exceptional cases, however, where the business could not otherwise be financed and where in the opinion of the Government there are compelling reasons for regarding the project as one of outstanding economic importance to the United Kingdom, finance available from private sources may be supplemented by funds from the Exchequer under Section 3 of the Export Guarantees Act.

The third development is the introduction of a new facility designed to meet the needs of small businesses which have not previously

exported, at any rate on any significant scale. This provides for cover at a flat premium of 15/- per cent. of the whole turnover of such businesses with individual foreign importers. To be eligible the export turnover of the firm concerned must not have exceeded £10,000 per annum in recent years and the new facility will be available only for a period of two years or until the insured export turnover reaches £20,000, whichever is the sooner. Thereafter exporters will be expected to make use of the E.C.G.D.'s normal facilities if they wish to continue to cover their export business.

Conclusions Over the past few months a whole range of improvements has been made in the facilities available to United Kingdom exporters. It is too early to attempt to assess how successful they will be in meeting the varied needs of exporters and this is particularly so in the case of the new E.C.G.D. arrangements for providing guarantees for longer-term lending, where it remains to be seen how much private finance for longer terms will prove to be forthcoming. The arrangements recently announced whereby a merchant banking house has mobilised funds from a number of insurance companies for lending for this sort of business give grounds for hoping that a reasonable flow of finance will be forthcoming.

It may be that exporters will not be wholly satisfied with these new arrangements and may continue to feel that in some cases they are still at a disadvantage in comparison with their competitors. However, the fact that there have lately been several reports of exporters in competitor countries urging upon their governments the importance of matching the facilities now available to United Kingdom exporters suggests that these new arrangements should go a long way towards easing the path of the United Kingdom exporter and putting him as nearly as possible on an equal footing with his rivals overseas.