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**Working Paper**

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Bruegel Working Paper, No. 13/2025

**Provided in Cooperation with:**

Bruegel, Brussels

*Suggested Citation:* McCaffrey, Conor; Poitiers, Niclas (2025) : European export finance needs a reboot, Bruegel Working Paper, No. 13/2025, Bruegel, Brussels

This Version is available at:

<https://hdl.handle.net/10419/322599>

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# EUROPEAN EXPORT FINANCE NEEDS A REBOOT

CONOR McCaffrey AND NICLAS FREDERIC POITIERS

Export credit agencies (ECAs) play an important role in international trade by providing derisking instruments that function as public assistance to companies engaging in international commerce. As the geopolitical environment has become more fraught, this support has become ever more important.

In recent years, the role of ECAs has evolved from a purely commercial one to include the pursuit of strategic goals, such as fighting climate change, shaping trade relations with key partners and securing access to critical raw materials.

However, the system of European export credit agencies is not well equipped to deal with these challenges. ECAs are national with a variety of models and not all European Union countries have one. There is little transparency on their operations, very limited steering at the EU level and, beyond a small pilot project in Ukraine, no EU-level funding for European public goods. Non-EU ECAs have increasingly used funding instruments not available to EU ones, partly because of competition from countries not subject to the OECD Arrangement on Officially Supported Export Credits and state aid constraints. This makes the lack of coordination not only a strategic oversight but a potential competitive disadvantage.

For these reasons, we argue that reform of the European ECA sector is necessary. We advocate for improved transparency and EU-level steering to ensure European strategic objectives are met. More complex is the question of how European public goods could be adequately supported by ECAs. Several models are possible, with the most promising option being EU level funding for projects implemented by national ECAs coupled with some form of EU level oversight.

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*We would like to thank Mariane Søndergaard-Jensen, Lise Beirne Chapman Pedersen and Ignacio García Bercero for their comments.*



**Recommended citation:**

McCaffrey, C. and N. Poitiers (2025) 'European export finance needs a reboot', *Working Paper* 13/2025, Bruegel

## 1 Introduction

Export credit agencies (ECAs) play an important role in greasing the gears of international trade. Through various derisking instruments complementing private financial services, they provide public assistance to companies engaging in international commerce. They are among the few external financial instruments available to policymakers to not only promote exports but also to shape the relationship of their economy with global value chains. With rising geopolitical tensions, a growing danger of fragmentation of the global trading system and the need to decarbonise the global economy, and therefore secure access to the critical inputs necessary for the transition, ECAs have grown in importance in recent times, moving beyond their historical role of supporting national exporters to instead being used as tools by governments to achieve strategic aims (US Export Import Bank, henceforth US EXIM, 2023).

Since at least 2021<sup>1</sup>, momentum has been building towards a reform of the European Union ECA sector, with a growing recognition that the system as it stands is no longer fit for purpose in this new geopolitical reality. For reasons we delve into further later, the current global governance architecture puts European export finance – and by extension European companies – at a disadvantage compared to their East Asian counterparts, while the fragmented EU environment prioritises national interests over common European goals. In this piece we try to pull back the curtain on this obscure but important area, explore in greater depth the challenges mentioned above and suggest possible avenues to maximise the positive impact of EU ECAs.

## 2 What are export credit agencies?

ECAs are difficult to define, but are at their core institutions through which governments provide financial derisking support to firms to boost exports. Complex political and legal systems, volatile foreign circumstances, information asymmetries and a general unfamiliarity with actors in particular countries can all entail significant risks for domestic firms that want to export, which may limit their willingness to engage in such trade and therefore adversely affect the national economic performance. The private sector supplies export finance support, such as insurance, to allow firms to mitigate these risks. Where for some reason, either due to capacity constraints or market failures, the private financial sector does not provide this support, export credit agencies can fill this gap (Dawar, 2020). They exist in various forms all over the world, including in 21 EU countries (see Box 1).

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<sup>1</sup> See for example Export Finance Lab, henceforth ExFi Lab (2021).

### Box 1: Structure of ECAs

There is no such thing as a typical export credit agency (Stephens, 1999), which makes providing a concise yet comprehensive definition difficult. For instance, Matray *et al* (2024, p.10) loosely define ECAs as “*public or quasi-public institutions that act on behalf of national governments to provide trade financing to firms in order to promote exporting*”. This difficulty comes from cross-country heterogeneity along various elements, including their institutional form, their mandate and the type of support they offer<sup>2</sup>.

The institutional structure of these bodies varies significantly across countries, particularly within the EU (ExFi Lab, 2021). Some operate as arms of government departments (eg EKN in Sweden), some as distinct public entities or agencies (eg EIFO in Denmark) and others are private firms contracted to operate on behalf of the state (and who are financed for these activities by the state, eg Allianz/Euler Hermes in Germany). Some countries, such as Czechia, separate lending and insurance functions into different institutions, meaning that there are multiple ECAs in the one country. As of December 2024, the OECD listed 25 ECAs operating across 21 EU Member States<sup>3</sup>.

ECAs also differ in how they are financed and operate. Some are capitalised entities, meaning that they operate independently on behalf of the state, publicly guaranteed and supported but with considerable delegated decision-making power through which they can execute their mandates. They operate like a private firm, with a dedicated balance sheet to manage risks. Examples of these entities include OeKB in Austria, Finnvera in Finland or UKEF in the UK. Other ECAs operate as transparent entities, meaning that they act as an agent for the state and have less autonomy. They act more as service providers and have no need for a balance sheet to manage risks. This category includes both private entities, such as Allianz/Euler Hermes in Germany, and public ones, such as Bpifrance AE in France (Mudde *et al*, 2023)<sup>4</sup>.

Beyond their structures and financing models, ECAs also differ in a more fundamental way: their mandates. An analysis of the official mandates of the ECAs of the world's largest exporters shows marked differences. For instance, US EXIM's purpose is to support US jobs by facilitating exports, China's Sinosure should particularly promote high-tech exports, while Japan's NEXI should contribute to the sound development of the international economy and society, among other objectives (Matray *et al*, 2024). This variation also exists within the EU. Beyond the core goal of supporting national exporters, some national ECAs have taken on dual mandates to support other policy objectives, while some are also required to earn profits, which changes their strategies (Export Finance Lab, 2021). More broadly, a textual analysis of a sample of ECAs' annual reports shows an increased mention of

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<sup>2</sup> We discuss this last point in greater depth in section 3.

<sup>3</sup> See <https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/export-credits/official-ecac.pdf>.

<sup>4</sup> Even within these two categories there are further differences, for instance on whether the state support for capitalised entities is explicit or implicit. For more details, see Mudde *et al* (2023).

terms beyond their traditional mandates, with topics such as critical resources, climate and geopolitics featuring more heavily [Wragg, 2023], which we discuss in section 5.

ECAs are long-standing parts of the global trading system, with the first dating back over 100 years<sup>5</sup>, but most formed in the post-Bretton Woods era [Matray *et al*, 2024]. They are also significant parts of this system: in 2022, the combined portfolio of EU ECAs came to approximately €350 billion, or over half that of the European Investment Bank (EIB) at the time [Dombrovskis, 2024]<sup>6</sup>.

Unsurprisingly, ECAs' knowledge tends to be specialised in countries and sectors particularly relevant to their national industries. For instance, SACE, the Italian ECA, is a strong supporter of the cruise ship sector<sup>7</sup>, while Atradius DSB, the Dutch ECA, is known for its support of the shipbuilding and dredging industries<sup>8</sup>. However, ECAs collaborate closely<sup>9</sup>, which is unsurprising considering the scale, complexity and cross-border nature of many of the projects involved. For instance, in what was at the time the largest project ever arranged through the international financial market, the INPEX Group announced in 2012 that it had secured \$20 billion in project finance loans for its Ichthys LNG project, involving no less than 24 commercial banks and eight different ECAs<sup>10</sup> [McNair and Touma, 2024].

While ECAs have not traditionally commanded a huge focus from academics, a growing body of research documents their impact on various outcomes. Export credit guarantees have been found to boost exports in Austria [Badinger and Url, 2012], Germany [Felbermayr and Yalcin, 2011; Moser *et al*, 2008] and the US, which in this last case also has knock on effects on domestic sales, employment and investment [Matray *et al*, 2024]. They have helped Swedish exporters, particularly smaller firms, survive in foreign, risky markets [Lodefalk *et al*, 2022], and helped to countercyclically support Spanish exports while also increasing their geographical diversification [Cea *et al*, 2021].

ECAs do not provide grants. Instead, as mentioned, they complement the private sector and offer financial products akin to those available commercially where for some reason a gap exists. They are not meant to compete with private providers of export finance, and for this reason are sometimes given the moniker of '*insurers of last resort*' [Klasen *et al*, 2024; Stephens, 1999]. When they do provide support, international convention is that, to both avoid a race to the bottom and to remain compatible

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<sup>5</sup> As discussed in Box 1, there is some dispute over what exactly constitutes an ECA, which therefore leads to disagreement over when the first one was created. Stephens [1999] considers the Export Credits Guarantee Department of the United Kingdom, established in 1919 to support exports to Russia, to be the first, whereas Matray *et al* [2024] give that award to Cassa Depositi e Prestiti in Italy, founded in 1850. We avoid weighing in on this issue.

<sup>6</sup> As we will discuss in further depth, issues around the transparency and consistency of data plague this sector (see for example Schlögl *et al*, 2024). Even when data is shared between ECAs as part of the OECD Arrangement, it is seldom publicly available with any degree of granularity. ECAs can also self-report the categories into which their support falls and often have incentives for the support to fall into particular categories (eg to avoid falling afoul of the OECD Arrangement). We generally use US EXIM data and are therefore limited by how they provide the data (eg time series for some variables but not others, countries bunched into 'other' in some instances), but cite other authoritative figures where relevant.

<sup>7</sup> Ralph Ivey, 'Cruise ships: the TFX Perspective', TFX, 10 May 2023, <https://www.txfnews.com/articles/7542/cruise-ships-the-txf-perspective>.

<sup>8</sup> See Atradius DSB Annual Report 2023, available at <https://atradiusdutchstatebusiness.nl/en/article/annual-review.html>.

<sup>9</sup> They also work closely with commercial banks, who are critical actors in export finance.

<sup>10</sup> Including those of the Netherlands, Germany and France.

with World Trade Organisation (WTO) rules on export subsidies<sup>11</sup>, the assistance should be at rates and terms commensurate with those offered by comparable support in the private sector, which have traditionally been decided and regulated through the OECD Arrangement on Officially Supported Export Credits (the Arrangement, see section 4).

### 3 Categories of export finance

ECAs offer different types of export support (for a time series of this support, see Figure 1), which can be grouped into two broad categories: official export credits and official trade-related support<sup>12</sup>. The key distinction lies in the conditions attached to the use of the financial support, with some explicitly linked to the purchase of national exports (in line with the traditional role of ECAs), and others more focused on national interest.

A second distinction can be made around the duration of repayment: short-term (ST) concerns those instruments with repayment terms of under two years; medium and long-term (MLT) refers to instruments with longer repayment terms. ST support is mainly used for consumer goods and is regulated for state aid purposes by the Commission as the risk in question is considered to be marketable (see section 4.3). MLT refers to longer term support and generally covers capital exports (European Commission, 2023b). EU ECAs are more active in the MLT space, which is at least partially due to strength of the private sector in the ST space, reducing the need for public action (Mudde *et al*, 2024). We therefore focus on MLT support.

Not all instruments provided by export credit agencies fall into the category of export finance. For instance, some EU ECAs provide working capital support, which supports exporting firms in their domestic manufacturing, thereby indirectly supporting their exporting (Klasen *et al*, 2024). However, given its focus on domestic manufacturing, not on actual exports, we do not consider this export finance. Similarly, some EU ECAs<sup>13</sup> provide ‘tied aid’- concessional loans to developing countries tied to sourcing from the donor (European Commission, 2023b). However, under the conditions of the Arrangement, and to prevent distortions with export credits, they are regulated in terms of the degree of concessionality, the eligible recipient countries, and the commercial viability of the projects in

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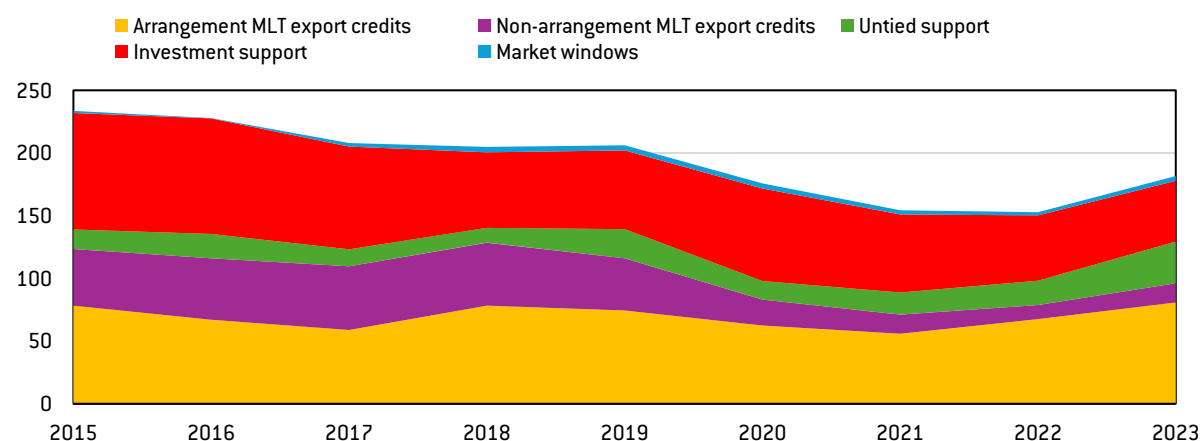
<sup>11</sup> The Agreement on Subsidies and Countervailing Measures, see section 4.

<sup>12</sup> Some group the instruments differently, for instance, Matray *et al* (2024) divide into direct financing, indirect financing and insurance, while Mudde *et al* (2023) use the framing of suppliers’ credits, buyers’ credits and related products. We follow the structure used by the European Commission in their Staff Working Document mapping the EU’s external financial tools (European Commission, 2023b) and US EXIM in their competitiveness reports.

<sup>13</sup> Eg in France, Italy, Austria, Portugal, Poland and Spain. This is relevant given the need to foster a ‘whole of government approach’, including development finance, as discussed in section 7.

question<sup>14</sup>. Given that they are more orientated towards development, we similarly do not include tied aid in export finance<sup>15</sup>.

**Figure 1: Different categories of MLT support by ECAs (\$ billions)**



Source: Bruegel based on US EXIM (2024). Note: data is provided bilaterally to US EXIM via a regularly updated template to account for changes in programme offerings. The exception is China, where US EXIM relied on independent research. This note holds for each figure using US EXIM (2024) as a source. See footnote 21 for a discussion on potential explanations for Chinese data patterns.

### 3.1 Official export credits

Official export credits refer to those means of support that are conditional on the purchase of exports with a minimum national content share. In other words, these are the instruments most closely linked to the traditional, export-supporting role of ECAs. They are regulated by the Arrangement, though not all providers of this type of support are themselves party to the Arrangement. For instance, while the Chinese ECAs Sinosure and the Export–Import Bank of China may provide official export credits, they may do so at rates and terms more favourable than those offered by ECAs operating under the Arrangement (discussed in more detail in section 4). This category can be further divided into pure cover and direct financing.

Pure cover refers to the provision of insurance or guarantees to a buyer or lender to derisk a transaction, conditional on the exports being supported containing sufficient national content. This could for instance include providing a guarantee for a loan given to a foreign buyer to purchase capital equipment from a national supplier, with the loan itself given by a commercial bank. Direct financing on the other hand refers to the provision of actual financial support, such as direct lending, refinancing

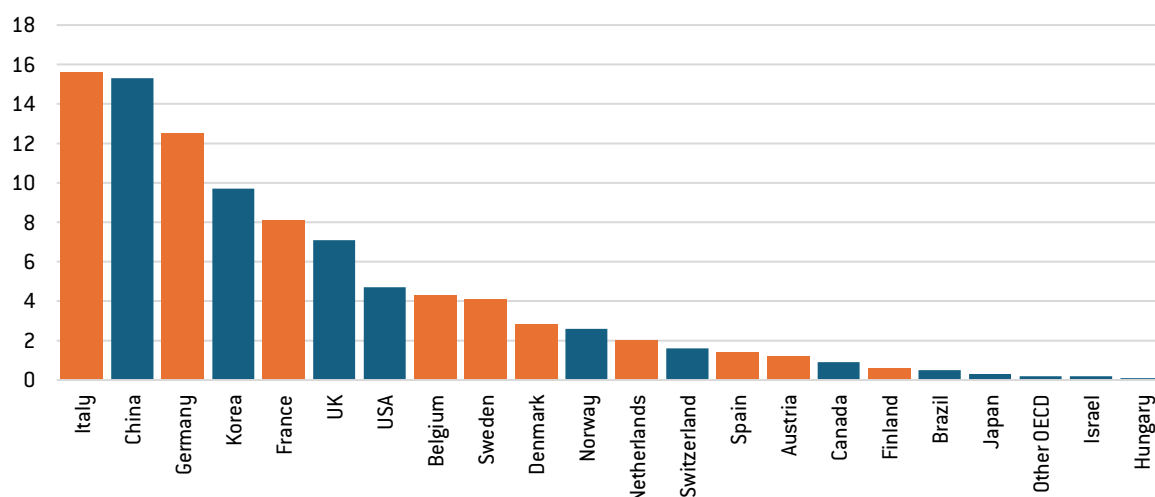
<sup>14</sup> These are known as the Helsinki Rules; see <https://www.oecd.org/en/topics/sub-issues/aid-and-export-credits.html#:~:text=Tied%20aid%20must%20have%20a,country%20and%20not%20an%20LDC>.

<sup>15</sup> These rules have succeeded in redirecting tied aid towards development purposes and reduced their trade distortions. No tied aid support has been challenged since 2009. The main OECD providers of this support are Korea and Japan. One concern however is China, which is believed to be among the largest providers of tied aid, yet for which information is very scarce (US EXIM, 2024).

or interest rate support. An example here would be an ECA paying a commercial bank the difference between the reference interest rate agreed under the Arrangement<sup>16</sup> and the higher rate with which the bank would ordinarily provide the loan, in effect subsidising a lower rate for the borrower and helping facilitate the transaction.

EU ECAs provide much more pure cover support than direct financing, providing €297 billion of the former and only €5 billion of the latter between 2019 and 2023 (ExFi Lab, 2024)<sup>17</sup>. As referenced in Box 1, some countries divide the provision of pure cover and direct financing between different institutions, with an insurer providing the former and an export-import bank the latter. Overall, EU ECAs are large players in this field, with Italy, Germany and France in the top five providers of official MLT export credits in 2023 (Figure 2), though again it should be noted that not all providers of official MLT export credits do so at the rates and terms EU countries do.

**Figure 2: New Official MLT Export Credit Volumes in 2023 (\$ billions )**



Source: US Export Import Bank (2024). Note: EU countries are shaded orange, non-EU are blue.

### 3.2 Official trade-related support

Official trade-related support captures those export finance instruments that are not conditional on a national export sale<sup>18</sup>. Instead, they are used to support the national interest more generally, with goals such as securing the domestic supply of a certain input or helping a domestic entity build a presence in an important market. This type of support could be useful in the context of the Clean Trade

<sup>16</sup> Known as the Commercial Interest Reference Rate (CIRR), further discussed in section 4.

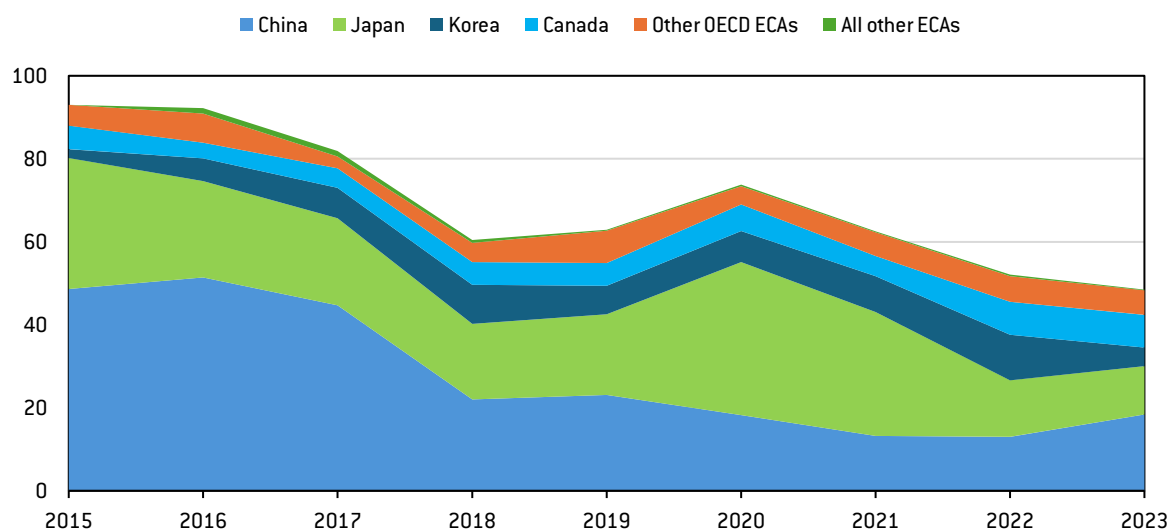
<sup>17</sup> Based on non-public data obtained from the Berne Union, the association for ECAs. See also [https://www.linkedin.com/posts/eu-exfi-lab\\_globalgateway-exportfinance-euecasummit-activity-7262066111980978178-t5WJ](https://www.linkedin.com/posts/eu-exfi-lab_globalgateway-exportfinance-euecasummit-activity-7262066111980978178-t5WJ).

<sup>18</sup> Though even this notion is not always straightforward, with some disagreement as to whether or not the goods in question must physically come from the country of the financing ECA, or if they can also be exported from a third country by a 'national' company. In general, the cross-border ownership and global supply chains brought about by globalisation have challenged some of these definitions and concepts central to ECA governance (Søndergaard-Jensen, 2019).



and Investment Partnerships proposed by the Commission. Their increased use has been a feature of the more pro-active and strategic role played by ECAs, in particular China, in the past 25 years<sup>19</sup>, which we return to in section 5 (European Commission, 2023b). They fall outside of the scope of the Arrangement, and do not operate under any multilateral framework, though EU state aid rules apply (see section 4.3). Again, several instruments fall under this heading, and we focus on the largest two here<sup>20</sup>.

**Figure 3: Investment support by ECAs (\$ billions)**



Source: Bruegel based on US EXIM (2024).

Investment support is the largest of these and refers to support given to (typically domestic) investors to build up an equity stake in a foreign company or project, generally through the provision of either insurance or the financing needed. For instance, NEXI could provide political risk insurance for a Japanese company in a strategic sector looking to invest in a promising foreign venture. While investment support remains type of this support, it is just over half of its 2015 figure (Figure 3), driven by a fall in Chinese<sup>21</sup>, Japanese and Korean support—the same ECAs that drove its rise in the first

<sup>19</sup> As mentioned in footnote 6, we rely on the data made available by US EXIM through their competitiveness reports. The time series in Figure 3 unfortunately does not allow us to cover the entire period in question and therefore see the origins of this increase in investment support, and we do not attempt to combine time series from different reports due to potential dynamic inconsistencies in definitions or reporting standards. However, looking at their older reports, such as for 2014, we can see evidence of China, Korea and Japan's increased provision of non-Arrangement support. Going even further back, the 2011 report warns that "significant volumes of unregulated export credit programs (that fall outside the purview of the OECD rules) and non-OECD export credit programs (offered by Brazil, India and, most prominently, China) are being deployed strategically around the globe" (US EXIM 2012, p. 2).

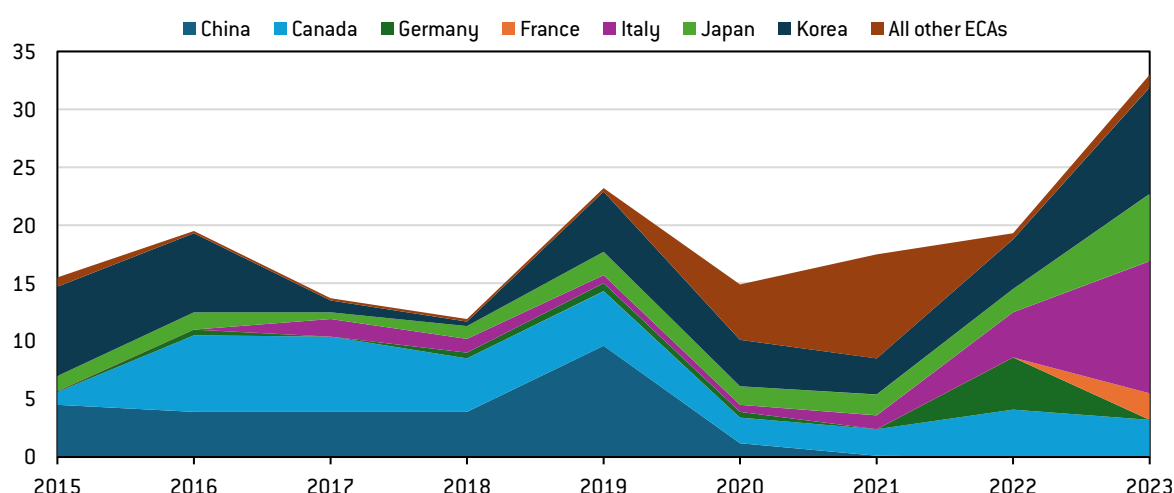
<sup>20</sup> A third, known as market window, is when an ECA offers the same terms as available on the commercial market. This used to be a significant part of ECAs' support but has been declining steadily and is now exclusively provided by Belgium and Canada at low volumes (Figure 1). As such, we omit it from our discussion.

<sup>21</sup> The opacity of the data in question makes it difficult to establish exactly what is happening in China. Some research suggests that, in the face of high ECA exposure to non-performing loans in developing countries due to Belt and Road Initiative (BRI) support, which its ECAs were very involved in, China is moving away from using its ECAs for these

place. EU ECAs do not feature here, as this type of support tends to be carried out by European development finance institutions (DFIs), including the EIB (Mudde *et al*, 2023).

The second of these categories is known as untied support and is something of a catch-all term for support neither linked with investment nor the export of a specific product. The support itself can again be pure cover or direct financing, and, despite its name, comes with conditions related to the national interest. A classic example here is an offtake contract (ie the beneficiary agrees to supply a certain quantity of their product to firms from the ECA's country), which forms the basis of the newly announced US EXIM Supply Chain Resilience Initiative. Beneficiary projects, that cannot be owned by nor use technology from China, must agree to export critical minerals and rare earth elements to the US, with the financing amount provided by US EXIM dependent on the offtake contract<sup>22</sup>. Other common instruments here are push programmes, in which ECAs offer support to foreign firms conditional on commitment to exploring trading options with domestic suppliers or subcontractors. Italy's SACE launched its Push Strategy in 2017, which may explain its prominence in this category in recent years<sup>23</sup>.

**Figure 4: Untied support by ECAs (\$ billions)**



Source: Bruegel based on US EXIM (2024).

transactions and is instead using its state-owned commercial banks (Parks *et al*, 2023). This may make this fall in Chinese support we see across instruments something of a mirage (we unfortunately lack a granular time series for official export credit support).

<sup>22</sup> See <https://www.exim.gov/about/special-initiatives/supply-chain-resiliency-initiative>.

<sup>23</sup> For a description of how the programme operates see <https://businessmatching-images.cdp.it/web/panel/uploads/sace-corporate-presentation-2022.pdf>.

## 4 The regulation of export finance

There are three relevant layers of governance for the provision of export credits by EU ECAs, with some overlap and interaction between the three. While this patchwork system has historically worked fine, some tensions have become apparent in recent years.

### 4.1 WTO Agreement on Subsidies and Countervailing Measures

The overarching framework for export subsidies is the WTO Agreement on Subsidies and Countervailing Measures (ASCM)<sup>24</sup>, which generally prohibits export subsidies with only some exceptions. Among these exemptions is a ‘safe haven’ carve-out for export credits provided “*in conformity with those provisions*” of the OECD Arrangement (Annex I, item (k)). What precisely this means is a matter of scholarly debate: some argue it only concerns the interest rate provided, while others believe the support must also adhere to the broader terms set out in the Arrangement, such as on the length of tenor, to qualify for safe harbour (Jennekens, 2022).

Support provided outside of this exemption are in breach of WTO rules, meaning that infringement cases can be brought if violations are suspected. However, there are two key issues in practice. Firstly, the well-known dysfunction at the WTO means that any findings will likely be slow, if reached at all. Second, these cases rely on the complainant building a detailed case that the other government is providing export-contingent finance at below market rates, which is difficult considering data limitations. In addition, the sequencing of these complaints means that, assuming both relevant parties are participants to the Arrangement, it can first be resolved at OECD level, and only if this forum fails would one party consider WTO action. As such, export credit subsidy disputes at the WTO are rare (Dawar, 2020).

### 4.2 OECD Arrangement on Officially Supported Export Credits

The second, and arguably most important, part of the architecture governing EU ECAs is the OECD Arrangement on Officially Supported Export Credits<sup>25</sup>. It is an agreement between 11 participants<sup>26</sup>, including the EU, that regulates the financial terms and conditions that can be applied to MLT official export credits and tied aid. It aims to avoid a race to the bottom by setting out the interest rates (via an exhaustive risk classification of countries) and conditions (such as maximum repayment terms or the share of local cost support that can be provided) above which support must be provided, and includes a ‘matching’ clause that allows ECAs to provide the same terms as another ECA, whether a participant to the Arrangement or not<sup>27</sup>. It also contains some sectoral-specific provisions, such as the ‘Aircraft

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<sup>24</sup> See [https://www.wto.org/english/docs\\_e/legal\\_e/24-scm.pdf](https://www.wto.org/english/docs_e/legal_e/24-scm.pdf).

<sup>25</sup> See <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-5005>.

<sup>26</sup> Australia, Canada, the European Union, Japan, Korea, New Zealand, Norway, Switzerland, Türkiye, the United Kingdom and the United States.

<sup>27</sup> See footnote 24, Article 18. This requires a high degree of transparency however, as, just as with the WTO cases, you must be able to prove the level of support being provided. There are also questions as to its efficacy, given that support in breach of the minimum terms of the Arrangement cannot be matched (Dawar, 2020).

Sector Understanding’ that regulates export credit use in the civil aircraft sector<sup>28</sup>. It does not apply to military or agricultural commodities. Central to the functioning Arrangement is a high degree of transparency between participant ECAs.

For most of the participants, the Arrangement is a “*Gentleman’s Agreement*”<sup>29</sup>, and its provisions are not binding. Its continued existence, and participants’ continued compliance, relied on the benefits it provided to participants – lower costs due to a price ceiling on support (Moravcsik, 1989). It does however have important implications for two reasons, beyond setting norms of behaviour. First, as discussed in section 4.1, there are carve outs in the WTO ASCM for export credits provided in accordance with the Arrangement. Second, the Arrangement is transcribed into the EU *acquis*<sup>30</sup>, making its provisions binding on the official export credit support offered by EU countries. EU countries are therefore more restricted than other participants in how they can carry out their objectives, given that they are bound by hard law (discussed more in section 4.3).

The Arrangement is dynamic, with the country risk ratings changing as their circumstances do, for example. It is also dynamic in the sense that, since its adoption in 1978, it has been repeatedly modernised to reflect changing circumstances or priorities, such as in 2023 to both expand the coverage of the Climate Change Sector Understanding<sup>31</sup> and allow for more favourable terms in the support for these green projects<sup>32</sup>.

The Arrangement was marked by widespread compliance for many years (Levit, 2004). However, the aforementioned growth of non-Arrangement ECAs, led by China, has challenged this system. They operate beyond this framework, which is problematic both in terms of transparency but also unfair competition – US EXIM (2024) cite an example of Chinese ECAs supporting a project in Serbia in 2023 at a risk fee almost 40 percent below what the Arrangement would dictate. There has also been a rise in the provision of non-Arrangement support by OECD countries, namely Japan, Korea and Canada, largely through the investment support documented in Figure 3<sup>33</sup>.

These two phenomena appear to be related: a ‘cascade of non-compliance’ began with a change in behaviour from those countries most affected by China’s rise (Korea and Japan), before other ECAs which are in greater competition with these initially affected Asian countries (such as Canada, Australia and New Zealand) changed their own behaviour in response to these initial ‘defectors’, which ultimately led to all Arrangement participants being affected (Bunte *et al*, 2022). In other words, the

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<sup>28</sup> See <https://www.oecd.org/en/topics/sub-issues/aircraft-specific-rules.html>.

<sup>29</sup> The text of the Arrangement describes itself in these terms, see page 5 of [https://www.wto.org/english/docs\\_e/legal\\_e/24-scm.pdf](https://www.wto.org/english/docs_e/legal_e/24-scm.pdf).

<sup>30</sup> Via Regulation (EU) No 1233/2011.

<sup>31</sup> For instance, to also include carbon capture and clean hydrogen.

<sup>32</sup> See <https://web.archive.oecd.org/temp/2023-04-03/654552-agreement-to-expand-export-credit-support-for-climate-friendly-and-green-projects.htm>. While causality is difficult to establish, some credit changes to the Arrangement with helping to green EU ECAs. For instance, Executive Vice-President Dombrovskis linked these changes with a fourfold decrease in fossil fuel project funding and a 75 percent increase in support for renewable energy between 2019 and 2022 (Dombrovskis, 2024).

<sup>33</sup> High levels are visible in Figure 3, but we lack the time series to see the initial growth.

steady state of general compliance was disrupted, initially by an outside actor, and then by the subsequent responses of those party to the Arrangement. The end result of this increased non-Arrangement compliance by both participants and non-participants is that only 44 percent of MLT support provided by ECAs in 2023 was under the Arrangement (Figure 1)<sup>34</sup>. EU ECAs have followed this trend to a lesser extent due to a combination of mandates (European DFIs typically carry out investment support) and state aid constraints.

There have been efforts to reverse this trend. In 2012, an International Working Group (IWG) was established to try to develop a set of rules that would also apply to non-Arrangement ECAs. However, these efforts were abandoned in 2020, with Arrangement participants citing an unwillingness by non-participants, and China in particular, to improve transparency as a key issue<sup>35</sup>. As a consequence, the Arrangement's influence appears to have waned just as ECAs are becoming more relevant than ever (Dawar, 2020).

#### 4.3 EU *acquis* and state aid

The third leg of the European ECA governance stool is the EU state aid regime. DG COMP of the European Commission has issued clear guidance on how state aid guidelines apply to short term export credits (European Commission, 2021a). This is positive in that it provides clarity to EU ECAs and limits single market fragmentation, but it does have the effect of reducing the ability of European ECAs to step into the short-term space in times of crisis, such as during the financial crisis when many private export credit providers pulled their support. For longer term support however, the legal framework is surprisingly unclear, due to both a lack of communication from the Commission and the fact that only a small number of cases have made it to court. While it has never been explicitly stated, some legal scholars have concluded that the Commission treats Arrangement conformity as state aid conformity (Jenneken, 2022). Insurance or guarantee support outside of the Arrangement, such as through untied or investment support, falls under the Commission's Guarantees notice<sup>36</sup>, which stipulates that public guarantees covering over 80 percent of the outstanding loan/financial obligation may be considered state aid<sup>37</sup>. In practice, this constrains EU ECAs relative to their peers, some of whom can provide this type of support for up to 100 percent of the risk (Mudde *et al*, 2023). Furthermore, ECAs have raised as an issue a lack of clarity and consistency in the application of state aid rules, with the terms attached to waivers granted not always shared with other ECAs<sup>38</sup>.

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<sup>34</sup> This is actually an increase relative to the lows of 2016 and 2017, but may be linked to the distortions for China discussed in footnote 21. It is also well below where it was in the early 2000s.

<sup>35</sup> See [https://policy.trade.ec.europa.eu/news/eu-and-10-other-members-suspend-participation-negotiations-international-working-group-export-2020-11-19\\_en](https://policy.trade.ec.europa.eu/news/eu-and-10-other-members-suspend-participation-negotiations-international-working-group-export-2020-11-19_en).

<sup>36</sup> Commission Notice on the application of Articles 87 and 88 of the EC Treaty to State aid in the form of guarantees.

<sup>37</sup> Though a higher cover rate could in theory be applied if justified to the Commission.

<sup>38</sup> The feasibility study conducted for the European Commission reports "[l]imited consistency checks" and that "[t]his issue arises because requests for waivers are based on concrete detailed proposals of individual Member States, which in content may differ from one another and subsequently lead to different decisions and conditions attached to state-aid waivers" (Mudde *et al*, 2024, page 110).

## 5 The changing roles of ECAs and new challenges

Historically, the focus of ECAs was on helping exporters trade with countries for whom the private market would not provide insurance. This is a demand-based system: firms approached their national ECA when they could not find the support they needed for a certain transaction. However, with increased globalisation and the growth of more complex global value chains, their role evolved<sup>39</sup>. This change accelerated from approximately 2000 onwards, and again after the financial crisis of 2007-2009, when there was further move away from ‘insurer of last resort’ to more proactive approaches focused on policy objectives such as job creation (Klasen *et al*, 2024; European Commission, 2023b)<sup>40</sup>. In other words, the focus shifted towards supporting the national interest as well as national exporters. Around this same period, the minimum national content requirements for eligibility for export credit support fell among EU countries, in some cases drastically (European Commission, 2023b)<sup>41</sup>.

This shift has accelerated in recent years, as more and more ECAs have taken initiatives directly related to geopolitics and geoeconomic fragmentation (US EXIM, 2024)<sup>42</sup>. For instance, KUKE, the Polish ECA, has taken multiple steps to enable it to better support Polish firms looking to trade with and invest in Ukraine<sup>43</sup>. Mentions of ‘secondary’ objectives, and ‘critical resources’ in particular, rose dramatically in ECAs’ Annual Reports between 2019 and 2023 (Wragg, 2023), which fits well with various new initiatives we have seen introduced to diversify critical raw material supply chains, such as in the US as described in section 3.2<sup>44</sup>. In 2023, there also seems to have been an increased focus on supporting digital and AI startups (US EXIM, 2024). All in all, ECAs seem to be at present more concerned with supporting the national interest than at any other point in their histories<sup>45</sup>.

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<sup>39</sup> Malcolm Stephens published in 1999 an IMF book titled *The Changing Role of Export Credit Agencies*, showing that this trend was already well under way by that stage.

<sup>40</sup> This increase in prominence post-2007 was also a necessity due to the diminished appetite and capacity for risk taking among commercial banks (Dawar, 2020).

<sup>41</sup> Italy for instance lowered its eligibility requirements from over 70 percent to just 10 percent. Under the Arrangement, ECAs have flexibility in the content requirements they apply.

<sup>42</sup> While this focus is heightened, supporting these objectives is not unprecedented: US EXIM for instance supported the foreign production of uranium in the 1940s and 1950s in response to USSR export restrictions (see <https://www.exim.gov/news/export-import-bank-united-states-board-directors-approves-supply-chain-resiliency>).

<sup>43</sup> See for instance KUKE news of 12 June 2024, ‘MIGA and KUKE will jointly support Polish investments in Ukraine and other markets’, <https://kuke.com.pl/en/news-and-insights/miga-and-kuke-will-jointly-support-polish-investments-in-ukraine-and-other-markets>, and KUKE news of 8 September 2023, ‘Nowelizacja ustawy o gwarantowanych przez Skarb Państwa ubezpieczeniach eksportowych’, <https://kuke.com.pl/wiedza/nawelizacja-ustawy-o-gwarantowanych-przez-skarb-panstwa-ubezpieczeniach-eksportowych>.

<sup>44</sup> EU ECAs have also operated in this space, such as the guarantee provided in 2022 by Germany’s Euler Hermes to Trafigura in return for the delivery of up to 500,000 tonnes on non-ferrous metals to Germany over a five-year agreement (see Trafigura press release of 21 October 2022, ‘Trafigura signs USD800 million loan agreement guaranteed by the Federal Republic of Germany’, <https://www.trafigura.com/news-and-insights/press-releases/2022/trafigura-signs-usd800-million-loan-agreement-guaranteed-by-the-federal-republic-of-germany/>).

<sup>45</sup> “Increasingly, ECAs are becoming national security instruments of their home governments in both their foreign and domestic policy priority areas. ‘What’s in the national interest?’ appears to be the question of the day more so than at any time in ECA history...” (US EXIM, 2023).

One important trade objective is to reduce both import and export dependencies. These have gained considerable attention in the context of growing economic security concerns, with the emerging threat of the exploitation of economic interdependence for economic coercion (Farrell and Newman, 2019; McCaffrey and Poitiers, 2024). In market economies, the decision on how to structure value chains is left to companies. However, there are geopolitical externalities of these decisions which can be exploited by hostile foreign governments. Therefore, policymakers seek to use economic incentives to shape how companies make decisions on their value chains. This includes signing free trade agreements and opening new markets with trade facilitation assistance to deepen economic integration, but also potentially using ECAs to reduce critical import dependencies.

Beyond diversifying trade, there are also the geopolitical objectives of encouraging trade and investments with key partner countries and achieving the ambitions stated under the Global Gateway strategy. The Communication launching the Global Gateway initiative explicitly mentions the option of establishing a European Export Credit Facility in support of its objective (European Commission, 2021b). These geopolitical objectives include support for the economic integration of Ukraine and other enlargement countries.

However, it is not only foreign policy that has added new objectives and complexity to the operations of ECAs. Climate and sustainable development have become key considerations in the EU's commercial policy (European Commission, 2021c). The Commission President has proposed new Clean Trade and Investment Partnerships to this end (von der Leyen, 2024), which could play an important role in promoting clean tech value chains that are less dependent on particular countries (as argued for elsewhere, see for instance García-Herrero *et al*, 2023).

These new roles elevate the importance of ECAs but also lead to new challenges for their governance. European ECAs have developed with the primary purpose of supporting national exports. Different historical contexts have led to a variety of structures (see Box 1) and differences in offerings and ability to support businesses. Their governance is driven through mutual collaboration within the OECD Arrangement and the Berne Union, an association of government linked ECAs and private sector trade finance institutions. However, much of this is governed through a gentleman's agreement and voluntary transparency between ECAs.

While this structure worked well in a different geopolitical context, it is now increasingly becoming a liability. Furthermore, as the EU's economic integration continues to deepen, lines between the 'nationalities' of exporters blur more and more. The rise of China as major non-OECD trading power means that informal cooperation between advanced economies becomes insufficient to ensure a level playing field. Meanwhile, the current structure is not well suited to serve the new roles ascribed to ECAs. We next look at four key challenges that a reform would need to address.

## 5.1 Supporting European public goods (EPGs)

The justification for the public support granted by ECAs is that they make up for a market failure. In their absence, there would be a lack of export finance leading to efficiency losses (Mudde *et al*, 2023). While there are differences in the ability of individual export credit agencies to provide their services, the current system of national export credit agencies is generally capable of filling this market need for European companies. In terms of industrial policy, ECAs are a very cost-effective tool. Except for certain interest rate fixing operations which can involve significant risks<sup>46</sup>, ECAs generate a profit and do not require more than initial capitalisation and (in the case of transparent entities) working capital (Mudde *et al*, 2023). Indeed, because the ASCM explicitly prohibits export subsidies, ECAs must justify their financial services as being provided at market equivalent rates.

However, beyond the market failure of a lack of economic efficiency in the provision of export finance, there is a positive externality in terms of the role that ECAs can play in providing EPGs – where the European interest outweighs the national – in areas such as economic security and investments in decarbonisation. ECAs can play an important role in securing access to critical raw materials, a sector in which the EU remains highly dependent on China (Le Mouel and Poitiers, 2023). High input costs, coupled with price volatility and uncertainty, have been identified as barriers to investment, meaning that ECAs' expertise in derisking could be important (IEA, 2024)<sup>47</sup>. Derisking private sector investments in the mining sector in the Democratic Republic of Congo and Zambia has also been identified as critical to making a success of the EU's Memoranda of Understanding on CRMs with the two countries (Neema, 2024), again pointing to the potential role for ECA support.

Similarly, ECAs can support projects that build green energy infrastructure abroad. Given the different costs of reducing carbon emissions, it is efficient for advanced economies to not only focus on decarbonising their own economies but also support emerging markets and developing countries in doing so (Grabbe *et al*, 2024). Similar to the case of critical raw materials, there are also projects that aim to supply EU industries with green hydrogen from source countries with abundant green energy. In all of these cases, European public benefits exceed not only private benefits but also national benefits. Such a common European interest also exists in the EU neighbourhood. Europe has both economic and geopolitical interest in integrating countries in its neighbourhood, and in particular enlargement candidates, with its own economy. National ECAs that only serve national interests do not have the incentives to provide their services to an efficient amount, and there is a risk of others freeriding on those that do.

## 5.2 Aligning ECAs with European strategic objectives

However, there are not only positive externalities that are not considered by ECAs following narrow national interests. The rise of geopolitical tensions has made economic coercion a key concern in the

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<sup>46</sup> The UK experienced significant losses in the past, but other ECAs operate such functions profitably (Mudde *et al*, 2023).

<sup>47</sup> Draghi (2024) also called for a greater role for the EU in derisking these investments.



economic policy debate. While much public attention is on the risks of excessive import dependency, most economic coercion arises from weaponisation of foreign direct investment and exports [McCaffrey and Poitiers, 2024]. Unlike import dependencies, where national interests and corporate interests are aligned, there is a considerable moral hazard when it comes to foreign direct investment and exports. Individual exporters have an interest in expanding their business in geopolitically risky but profitable markets. ECA guarantees mean that the public would bail out such business in case these geopolitical risks materialise. This means that ECAs misaligned with geopolitical strategy could foster dangerous economic integration with strategic rivals, as especially such businesses can profit from public guarantees.

It could also set perverse incentives: in a world without such public guarantees, an authoritarian regime eroding the rule of law and threatening expropriation of foreign businesses would discourage trade and investment, thus harming its own economy and reducing economic integration with the EU. Public guarantees for EU commerce with such regimes reduce this feedback loop. ECA support thus can create a negative externality for European strategic interests. Therefore, it is important to integrate ECAs in foreign strategy. Given the prevalence of ‘divide and rule’ strategies employed by countries such as China, this is best done at the EU level.

### 5.3 Improving transparency and steering

While ECAs share data with each other through the Berne Union and in the OECD, there is virtually no transparency with the public at large. ECAs publish their own corporate reports and depending on their statute report to their respective government. But the data are often aggregated at a level which does not allow to discern which countries, sectors or type of projects are supported [Schlögl, 2024]. Nor is such data aggregated at the EU level, which would allow conclusions to be drawn on whether ECA support is aligned with the strategic objectives of the EU.

To what extent did ECAs derisk commerce with Russia after the 2014 invasion of Ukraine, and thus promote a deepening of economic integration at a time of political conflict?<sup>48</sup> Do ECAs provide public guarantees for trade with China in strategically important sectors and thus counteract other derisking efforts? Do European ECAs promote business in regions where human rights violations are rampant<sup>49</sup><sup>50</sup>? Are their operations aligned with sustainability goals<sup>51</sup>? These are questions that we cannot

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<sup>48</sup> The Berne Union reported an uptick in short-term credit for Russia and the CIS region in 2024 (though still below 2021 volumes) [Berne Union, 2024]. However, it is representative of the lack of transparency that the report does not specify from where this support comes, nor how much is going to Russia itself compared to the rest of the CIS region.

<sup>49</sup> The Dutch NGO Both ENDS reports that projects supported by Atradius DSB (the Dutch ECA) have led to forced displacement of local communities. Atradius DSB had not conducted Social and Environment Impact Assessments. See <https://annualreport.bothends.org/ecas/>.

<sup>50</sup> The German government halted ECA support for projects in Xinjiang in 2022 because of the human rights violations documented there. See Joshua Posaner and Stuart Lau, ‘Germany scraps Xinjiang investment guarantees amid rights concerns’, *Politico*, 28 May 2022, <https://www.politico.eu/article/germany-scraps-xinjiang-investment-guarantees-amid-human-rights-concerns/>.

<sup>51</sup> In the 2021 Glasgow COP, 39 countries including 12 EU countries and the EIB pledged: to “end new direct public support for the international unabated fossil fuel energy sector within one year of signing this statement”, except in limited and

answer with the highly aggregated or disjointed publicly available data. Therefore, it should be a priority to provide such data to ensure accountability for ECAs regarding the alignment of their operations with public policy goals.

The next challenge of better-aligning ECAs with the European policy agenda is the lack of steering in their operations. ECAs generally operate a ‘bottom-up’ model: companies come to them with projects that need support, and the ECAs decide whether to support them according to commercial considerations and their own statutes. While this approach works well regarding the objective of promoting exports, it is insufficient with regards to the new geopolitical and sustainability objectives. These objectives require a top-down steering model, where a political principal defines objectives for the agencies to follow. This includes prioritising regions (eg reliable partner countries), sectors (eg producers of critical raw materials) and even technologies (eg clean-tech products). While such a top-down approach cannot generate private sector projects, it can provide guidelines for how to allocate public resources. It is equally important to define what not to do – eg ECAs should refrain from derisking projects in potential geopolitical adversaries and not support carbon intensive projects.

As noted, EU member states already act to align their ECAs with their national priorities. However, barring a Council Working Group, such steering mechanisms seem undeveloped at the EU level, and the effectiveness of the working group on this matter is unclear.

#### **5.4 Level playing field**

Beyond new strategic objectives, the evolving trade landscape also poses challenges for European ECAs. The countries currently participating in the OECD Arrangement accounted for more than 70 percent of global GDP at the time of its signature in 1978. This share has declined to less than 50 percent in 2019<sup>52</sup>, and, as discussed in section 4.2, attempts to include China in the arrangement failed in 2020 after 8 years of negotiations. China is now the largest user of export credit support, especially as part of its BRI. Much of the support given by China is in the form of investment support, a type of support that EU ECAs generally do not provide.

China’s rise as a trading power and major user of export finance is not the only challenge for European ECAs. While Europe has transposed the OECD Arrangement into the EU *acquis* and thus into hard law, it remains a gentleman’s agreement for the other signatories. Japan and South Korea are using more and more financial instruments outside the OECD Arrangement to support their companies. This puts

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*clearly defined circumstances that are consistent with a 1.5°C warming limit and the goals of the Paris Agreement” and: “We will encourage further governments, their official export credit agencies and public finance institutions to implement similar commitments into COP27 and beyond. This includes driving multilateral negotiations in international bodies, in particular in the OECD, to review, update and strengthen their governance frameworks to align with the Paris Agreement goals. For government signatories, this will also guide our approach on the boards of multilateral development banks”, available at*

<https://webarchive.nationalarchives.gov.uk/ukgwa/20230313124743/https://ukcop26.org/statement-on-international-public-support-for-the-clean-energy-transition/>.

<sup>52</sup> See Penn World Tables, available at <https://www.rug.nl/ggdc/productivity/pwt/>.

European companies at a disadvantage, as such aid is not available to them. ECAs are further constrained by EU state aid rules in providing support to European companies.

However, levelling the playing field is not just an issue outside the EU. The ability of national ECAs to support businesses varies greatly between EU countries. Cyprus, Ireland and Malta do not have any ECA, while other ECAs have poor credit ratings that impede effective support (Mudde *et al*, 2024). Furthermore, there is a perceived lack of clarity in state aid rules, which leads to a perceived idiosyncrasy of decision making by the European Commission when it comes to clearing state aid decisions for ECAs (see section 4.3).

## 6 Existing EU policies and initiatives

The European Council has had a Working Group on Export Credits since 1960, aimed at resolving problems between countries and addressing issues such as reform of the Arrangement. However, over the course of the last mandate, European policymakers became increasingly focused on this area, both on the potential for enhanced cooperation between national ECAs, and on the possibility for a dedicated EU-level facility to complement their work (see Table 1).

**Table 1: Timeline of recent EU initiatives and announcements concerning ECAs**

Year	Initiative
2020	ExFi Lab first White Paper is published (ExFi Lab, 2021)
2021	EU Trade Policy Review states that “ <i>the Commission will explore options for an EU strategy for export credits. This will include an EU export credit facility and enhanced coordination of EU financial tools</i> ”
	The Global Gateway Communication notes that “ <i>the EU is exploring the possibility of establishing a European Export Credit Facility to complement the existing export credit arrangements at Member State level and increase the EU’s overall firepower in this area</i> ”, to level the playing field with foreign competitors who receive more generous support for infrastructure projects
2022	Council of the EU “ <i>expresses support for analysing the opportunity of enhanced coordination and of an EU export credits facility as a complement to national export credit facilities</i> ”
2023	Critical Raw Materials Act adopted (see below for more)
	The Commission Staff Working Document mapping the external financial tools of the EU is published, with a focus on the role of export credits
	The Feasibility Study on an EU strategy on export credits commissioned by DG Trade is published (Mudde <i>et al</i> , 2023)
2024	Then Trade Commissioner Dombrovskis states that “ <i>significant progress</i> ” has been made on developing an EU strategy on export credits, including development finance flows and exploring the creation of an EU-level facility. He also calls for a greater involvement of EU ECAs in financing Global Gateway projects
	EIB/EIF Ukraine Pilot is launched (more below)
	The Draghi report (Draghi, 2024) on European competitiveness calls for the creation of an EU export credit facility, and for the EIB and ECAs to play a greater derisking role in certain sectors to mobilise private investment
	There are references to mobilising export credit agencies in a Team Europe approach in both President von der Leyen’s political guidelines and her Mission Letter to Commissioner-designate for International Partnerships Síkela

Source: Bruegel.

Much of this enhanced focus can be attributed to the work of the ExFi Lab, an informal think tank-style arrangement between European ECAs and some representatives of the Commission. They launched this agenda in 2021 by publishing a white paper entitled ‘Take Action or Fall Behind’, which drew attention to many of the issues highlighted above and suggested some potential avenues for exploration. As detailed in Table 1, these ideas have been picked up in various Commission initiatives in the subsequent years, among them a comprehensive ‘Feasibility Study’ commissioned by DG Trade and released in 2023 that outlined the key issues at stake and provided options for future steps [Mudde *et al*, 2023].

In terms of specific policy areas, the Joint Communication for the 2024 Critical Raw Materials Act states that the Commission will “*foster enhanced cooperation*” between DFIs and ECAs around CRM projects “*starting with pilots in strategic partner countries*”, work to improve the Arrangement to allow for better support for projects aimed at bolstering CRM supply chains, and “*work with EU Member States to set up an EU Export Credit Facility for inter alia supporting CRM supply chains abroad*” [European Commission 2023a]. The text of the Regulation itself is less ambitious and merely states that national export credit agencies be considered and consulted when designing the financing of projects.

The Commission is also a member of the Mineral Security Partnership, a cross-border initiative established in 2022 that aims to increase cross-border cooperation to bolster CRM supply chains. In 2024 they established the MSP Finance Network, which brings together DFIs and ECAs from MSP to “*strengthen cooperation and promote information exchange and co-financing among participating institutions to advance diverse, secure, and sustainable supply chains for critical minerals*”<sup>53</sup>. It is unclear whether this has had any genuine impact, or whether it will continue under the Trump Administration.

In 2024, the EU launched a pilot initiative called the Export Credit Guarantee Facility, which aimed to encourage European firms to trade with Ukraine. This is being carried out under the auspices of the EIB, through its subsidiary, the European Investment Fund (EIF), with the funding in question coming from InvestEU. For the first time the fund will be used to support the export credit sector, via €300 million in guarantees for firms that will export goods and services to Ukraine. National ECAs apply to the EIF to become financial intermediaries and actually manage the provision of the guarantees and all that it entails, which, if effective, could combine EU funding with long-established expertise.

This is a welcome initiative in the process of exploring the potential for an EU-level facility, and the early stage of this means that we lack the data to gather real insights. That said, one criticism of the pilot is focused on SMEs. While useful, SMEs across Europe may not have been trading with Ukraine in the first place, and if they were, it was unlikely to have been large-scale. To use this as a true pilot to

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<sup>53</sup> See the US Department of State ‘Joint Statement on Establishment of the Minerals Security Partnership Finance Network’ of 23 September 2024, <https://2021-2025.state.gov/joint-statement-on-establishment-of-the-minerals-security-partnership-finance-network/>.

explore the benefits and issues with an EU ECA-type vehicle, it should be expanded to larger firms, with whatever change in funding that requires.

## 7 Policy recommendations

Given the new objectives put to ECAs and the challenges they face from increasing unconstrained competition, an overhaul of their governance is called for. This does not necessarily require disruption of current ECA structures and business, but rather their integration into a European architecture. There are advantages to maintaining the existing business relations and specialisations of national ECAs.

At the most basic level, priority should be given to providing a basis on which strategic decision on ECAs can be made. As discussed above, ECAs are notoriously opaque and justify their lack of transparency by the need to protect the commercial interests of their private sector partners (Schlögl *et al*, 2024). This justification is unconvincing. While most ECA support does not fall under state aid control, they still use public resources to underwrite private enterprises. The EU Transparency Register<sup>54</sup> and EU State Aid Scoreboard<sup>55</sup> show what a high degree of transparency could look like<sup>56</sup>.

ECA support is generally less market distortive and thus does not necessarily need the same degree of transparency as state aid. However, harmonised data should be made available at the EU level at a sufficiently disaggregated level to inform policymakers of the state of play and the support being provided. Such data should include breakdowns by country, sector and type of firm and be made accessible to the public. ECAs already report in detail to the OECD, but the data is not publicly available in granular form. The Berne Union also collects such data from its membership (Berne Union, 2024). While this data is only available aggregated to a global or regional level in their reports<sup>57</sup>, these reports nevertheless provide a template on what an EU ECA report could look like.

Publication of detailed data would allow EU countries to compare impact and efficacy of their ECAs and identify best practices. It could then be used to analyse the alignment of ECA support with European strategic objectives. Approaching the issue of transparency from another perspective, the Commission should also improve its communications regarding state aid constraints and waivers for MLT export credit support, so that all national ECAs are aware of the support they can offer, and the issues raised in section 4.3 can be addressed.

The next priority should be to expand the steering at the EU level. A steering mechanism should be authorised to make binding decisions on blacklists (such as countries, sectors etc) and establish priorities for European ECAs in line with European strategic objectives. This could be achieved by

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<sup>54</sup> [https://transparency-register.europa.eu/index\\_en](https://transparency-register.europa.eu/index_en).

<sup>55</sup> [https://competition-policy.ec.europa.eu/state-aid/scoreboard\\_en](https://competition-policy.ec.europa.eu/state-aid/scoreboard_en).

<sup>56</sup> It should be noted that the aggregation in the State Aid Scoreboard is not particularly useful for many types of policy evaluation. A revision of how state aid data are collected and aggregated would provide an important basis for better policy evaluation.

<sup>57</sup> EU-wide studies such as Schlögl *et al*. (2024) aggregate data from the annual reports of national ECAs. However, reporting is often inconsistent between countries, and such data does not allow a thorough assessment of their operations.

elevating the role of the Council Working Group. The European Commission and the European Parliament should be empowered as high-level coordinating and supervisory bodies respectively, leaving the day-to-day operations to the ECAs themselves but receiving regular reporting.

While national ECAs are nationally funded and therefore answerable to domestic institutions, there is a need to ensure that the EU strategic interest is also being pursued, or at least not undermined. This could be achieved by focusing supervision on EU funded activities, while also having the opportunity to discuss the overall transparency report to assess whether ECAs activities are well aligned with EU strategic priorities.

The application of state-aid rules to ECAs are at times to be perceived as too vague and decision making as idiosyncratic. One of the priorities of a revised European decision-making process should be to address this issue together with the European Commission.

The first two recommendations regarding alignment of ECA operations with European policy objectives are relatively straight forward. The questions of how to enable the European network of ECAs to support EPGs and to compete more effectively with trade finance provided outside of the OECD arrangement are more complex. Regarding the support for EPGs, both financing and steering are of importance. At a high level, three different models seem conceivable to us. The most ambitious option would be to devolve national ECAs into a common European agency with local subsidiaries. It would have the advantage of solving the problem of unequal access to ECA support throughout the EU and thus reduce the burden of state-aid supervision at the EU level. It would have the disadvantage of potentially disrupting existing business relations and specialisations of national ECAs. Another option would be to provide trade finance for EPG projects through a separate EU agency, separating traditional ECA operations from operations in the name of 'European' objectives. Unlike the first option, this would maintain existing structures but could add complexity and introduce double structures.

The most promising option seems to us the expansion of the model pioneered in the Ukraine pilot facility. This would entail providing EU funds for strategic projects to be accessed and administered by national ECAs, with some form of European oversight to set the strategic objectives in question and regularly review outcomes. This would maintain existing structures and expertise without duplicating agencies. Like the Ukraine pilot facility, such a fund could be located at the EIB, which has experience of working with national ECAs<sup>58</sup>. However, the challenge would be to ensure that EU-funded projects benefit EPGs without introducing administrative burdens – a common complaint in the field of state aid – while simultaneously achieving the high level of transparency necessary for the receipt of EU funding<sup>59</sup>. There would also need to be a guarantee and enforcement to ensure that EU funded projects do not solely benefit the domestic companies of the managing ECA in question.

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<sup>58</sup> European Commission [2023b] provided various examples of the EIB working with ECAs. This included working with Italy's SACE to support sustainable energy projects in Latin America.

<sup>59</sup> This is particularly important given concerns NGOs have raised regarding human rights abuses and environmental risks associated with ECAs' actions (see for instance Sial and Sol, 2024).

Somewhat separate but not unrelated to the question of EU ECA architecture is the question of which operations should be supported by EU funds. Geopolitical goals such as diversification of supply chains and CRM sourcing, support for climate related projects and economic integration of Ukraine and other strategic partners are clear contenders. Mudde *et al* (2024) suggest that EU funds could also be used to level the playing field between national ECAs, as some of them have poor credit ratings. We are unconvinced by this objective. Short of a complete ‘Europeanisation’ where national ECAs are devolved into a common European entity, it is unclear why fixing dysfunctional national ECAs is a problem for the EU and not national governments. We are more sympathetic to the idea of organising reinsurance for ECA guarantees at the EU level, as it is already common practice for ECA’s to re-insure each other’s operations.

Lastly, regarding investment support, EU commerce is at a disadvantage compared to other economies that are proving such support through their national ECAs. However, it is not clear if such support would be best given through ECAs as there are advantages to separating the traditional ECA business from equity support. It is also not obvious that ECAs are best positioned to provide such support, especially given that other institutions such as the EIB and national DFIs have long experience in providing investment support. Instead, a ‘whole of government approach’, where ECAs cooperate with facilities specialised in investment support, seems a promising avenue to us<sup>60</sup>. Depending on the policy objective to which a project is beneficial, equity support could be given by the EIB, the European Development Fund, national DFIs or climate funds, while ECAs could provide linked export credit support. The EIB is already playing a role in providing such support (Mudde *et al*, 2024). Through Global Gateway and other initiatives, perhaps including the mooted Clean Trade and Investment Partnerships or critical raw material offtake agreements, the European Commission could play a coordinating role in making sure such an approach works efficiently.

In any case, the EU should continue to work towards avoiding a continuation of the race to the bottom described previously and the possibility of a ‘credit war’ (Søndergaard-Jensen, 2019). In doing so, it should continue to cooperate with partner countries through the OECD Arrangement. It should work to reduce non-compliance, including through additional reforms if necessary, which could for instance reduce the burden of proof necessary for the invocation of the matching clause, as suggested by Jennekens (2022). Any reforms however need to balance the objectives of levelling the playing field with external actors with protecting the single market, given the impact the Arrangement has on state aid regulation (as discussed in section 4.3). While this gentleman’s agreement has its limitations, it still represents a model of functional cooperation and coordination.

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<sup>60</sup> Previous analysis has pointed to existing overlap, and therefore the potential for synergies, in EU ECA and DFI support in middle- and low-income countries and in the connectivity sectors of transport and energy infrastructure (European Commission, 2023b).

## 8 Conclusions

Despite receiving relatively little attention, ECAs have the potential to play a key role in how the EU can shape its trade relationships. At a time when trade relations are increasingly politicised, and challenges such as the green transition mean that security of supply of certain inputs is more important than ever, their role has become much more important. The current fragmented system of national ECAs is ill suited to support European businesses in line with European strategic objectives, not just national ones, and we believe that a reform is called for. Reform should build upon the strengths and expertise of national ECAs but introduce a European dimension in support of strategic objectives.

We explore different options of what a European architecture for ECAs could look like, and how they could be leveraged to serve European public goods. However, a key objective for this paper is also to bring attention and clarity to this issue. The complexity of ECAs as well as their opacity have contributed to their relative obscurity. We hope to reduce the former barrier, while we call on policy makers to do so for the latter by forcing more transparency.

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