

The Role of Export Credit Guarantees in the Improvement of Business Environment in the European Union

Evita Andersone¹, Olga Bogdanova^{2, 1-2} *Riga Technical University*

Abstract. The role of export credit guarantees in the improvement of business environment of the European Union (EU) is an important topic, since in recent years export to a number of the EU member states has become unpredictable. The aims of the research are to study the existing export credit guarantee system in the EU, to identify its advantages and drawbacks, as well as elaborate a solution to its improvement. Quantitative and qualitative data analysis methods, as well as analytical and graphical methods have been used in the research. Based on the analysis, it is concluded that the resuming of the availability of export credit guarantees is highly desirable in order to help the EU crisis-affected member states to recover from the financial and economic problems and to promote the development of the entire EU.

Keywords: business environment, European Union, export credit guarantees, export

I. ROLE OF EXPORT IN INTERNATIONAL TRADE AND EXPORT SUPPORTING INSTRUMENTS

Export is an important component of international trade, and the macroeconomic risks and benefits generated by export are regularly debated and discussed. Export creates market diversification, which helps offset the sales at the time when fluctuations are observed in domestic markets.

Nowadays, export promotion is relevant because export has a significant impact on domestic trade and the economic stability. Moreover, it is important that the indicators of economic growth and income distribution in a country are closely linked with export growth.

Nowadays, along with the global economic crisis and its consequences export promotion has become one of the key measures to encourage global economic development. Consequently, export support instruments have an increasing role in promotion of the global economic development. Global economic crisis has especially developed an idea of state support for exporters in the European Union (EU).

In Latvia, state support for exporters is triggered by the Latvian Guarantee Agency (LGA). LGA has a significant role in promotion of Latvian export, and the provided export credit guarantees have helped a large number of Latvian exporters to enter new and previously unknown markets. In addition, it is important that the Latvian Guarantee Agency introduced such export credit guarantees at the most difficult stage – the beginning of the economic crisis.

Export can be defined as selling domestically produced goods and services to foreign markets. In the EU, support of export is an important topic, and the EU is interested in

supporting and encouraging export of each member state because it contributes to the development of the EU and the business environment in it. In the EU, export credit guarantee is one of the most popular export supporting instruments. Each EU member state has its own public export credit insurance system, which is focused on supporting and promoting of certain country's export.

The institutions that deal with export credit guarantees are called Export Credit Agencies (ECAs in the EU). In case of official state support, an ECA can be a government department or a commercial institution administering an account for or on behalf of government [11].

Most member states of the EU have various export supporting institutions, which are responsible for export support and export credit guarantee issuance. Private banks are also widely known for supporting export transactions. They make a variety of instruments available to companies for financing their export business. However, in many countries the political and economic risks are so high that financing can only be provided if it implies additional government protection. The export credit guarantees furnished by the EU governments perform this job. For example, the Federal Republic of Germany supports its exporters by granting guarantees for their export credits through the export credit agency consisting of insurance company Euler Hermes Kreditversicherungs-AG (widely known as "Hermes Cover") and PricewaterhouseCoopers AG WPG[14]. In Sweden, the responsible institution for export credit guarantee issuance is Swedish National Export Credit Guarantee Board (EKN)[19]. In France, the responsible institution for export credit guarantee issuance to protect exporters against the risk of financial default of their clients is the Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE)[2]. In Latvia, there are also other institutions besides the LGA, whose task is to support export. The Latvian Investment and Development Agency (LIDA) can be noted as one of the most active institutions with the widest range of services, which promote export oriented business development. LIDA provides five different export supporting services: export seminars, trade missions, national stands, matchmaking and personal visits [7].

An important role in export supporting is played by the Foreign Service, which provides support to exporters through the diplomatic and consular network of the Republic of Latvia. Embassies provide practical support to Latvian entrepreneurs in initiating and developing business cooperation, as well as in

problem-solving, in providing information about the market of the residence country and business practice. Furthermore, embassies offer support in establishing contacts, helping to hold individual company visits and trade missions, as well as visits of high-level officials and delegations [21].

One of the most active export supporting institutions, which offers a wide range of export promotion activities, is the Latvian Chamber of Commerce and Industry (LCCI). LCCI helps select potential partners, carries out market research, makes target market overview, organizes export seminars and trainings, as well as offers arbitration services and database of Latvian exporting enterprises [9].

The overall conclusion is that the state policy in export promotion is currently provided by several institutions, which offer a variety of services that serve the same purpose. LIDA is more available to customers in comparison with other institutions mentioned above. It promotes a more direct dialogue and its services are free of charge, which attracts new and already experienced entrepreneurs, while almost all of the services provided by the LCCI are on a fee-paying basis and only some seminars are free of charge. As these institutions provide a wide range of services, an entrepreneur, a prospective or already existing exporter has an opportunity to find support in any situation, get contacts and enhance the growth of his/her own business, as well as country's growth as a whole. LGA supports Latvian entrepreneurs to realize their business ideas, helping them to attract new investments with the help of four services: credit guarantees, export credit guarantees, mezzanine loan and venture capital.

Describing both the LGA and other export supporting institutions and their offered services, it can be concluded that other export-promoting institutions do not provide such services as LGA; thus, it makes LGA services unique. It is essential that the main function of the LGA, which is to help companies with insufficient security and to boost development, coincides with the aims of the long-term document "Latvian Export Promotion Policy Guidelines". It explains the important role of the LGA in Latvian export promotion. Furthermore, the aforementioned export-promoting institutions and the LGA complement each other's activities.

II. BENEFITS OF EXPORT CREDIT GUARANTEES

There are a variety of political and commercial risks in export markets, which exporters face in transactions with foreign buyers. Due to the decreasing demand on a market, a sharp trading volume decline began in 2007. As a result, a variety of enterprises representing different branches faced problems with their liquidity. This led to an increase in precautions from credit institutions and insurance companies, as well as to a decrease in commercial transactions' financing. At that time, most member states of the EU provided substantial state support to exporters; thus, this idea of government support to exporters was also developed in Latvia.

The Latvian Guarantee Agency introduced a relatively new type of export support – export credit guarantee – on June 1, 2009. It is aimed at supporting and promoting exporters,

reducing exporter risks, thus making it easier for exporters to enter new markets. Export credit guarantees are provided to export transactions [25].

Export credit guarantees cover various risks, thereby supporting the business actions of exporters in foreign markets. Export credit guarantees cover the following risks:

1) commercial risks – this includes the buyer's insolvency, lack of assets, as well as other conditions that cause the same or similar consequences as insolvency. Commercial risks include also buyer's refusal to make the deferred payment [27].

2) political risks – this includes, firstly, the prohibition by foreign institutional administrative institutions to a buyer to make deferred payments. Secondly, political risks are related to the transfer of deferred payment or currency conversion impossibility arising as a result of political events, legislative or administrative measures in a foreign country. Thirdly, political risks include also war, revolution, civil war, riots, general strikes, natural disasters, as well as nuclear accidents. Fourthly, the situation, where the public buyer does not make the deferred payment, is also classified as a political risk that is covered by export credit guarantee [27].

Export credit guarantees provide several important advantages that make them an attractive way for promoting export. Firstly, it is significant that export credit guarantees provided by the LGA do not have restrictions regarding the business activity of the company. Secondly, it is also essential that the LGA export credit guarantee programme does not only have restrictions on the business activity of a company but also on the size of a company. Hence, export credit guarantees can be received not only by large companies but also by small companies that are only starting to export.

Thirdly, an important advantage of export credit guarantees is an option of promoting the launching of business in new, previously unknown export markets avoiding uncertainty and ambiguity, and possible risks. Fourthly, export credit guarantees provide more favourable repayment conditions because a company with the help of export credit guarantees can offer its business partners to pay for goods after delivery not being afraid of irreversible damage, thereby increasing sales volume.

The export credit guarantee provided by export credit agencies in the EU is a new type of export promotion, which offers a number of benefits to exporters, provides them with the essential sense of security when entering new foreign markets, and reduces the potential risks associated with starting up a business in foreign countries. Export credit agencies in the EU play an important role in export promotion – thanks to export credit guarantees many companies in the EU member states can now offer their customers a deferred payment for a month or even for several months. It allows companies to increase the total export volume, as well as strengthen their operation in foreign markets.

III. AVAILABILITY OF EXPORT CREDIT GUARANTEES TO THE EU EXPORTERS

The main indicators for the analysis of development of export credit guarantees are export credit guarantee demand and its changes. Export credit guarantee demand can be reflected differently from one EU country to another. For instance, in Germany export credit guarantee demand is reflected by quantity of applications. Quantity of applications rapidly increased from 2006 to 2009. Covered export volume gradually increased until 2010, when it increased by 45.1% compared to 2009. Since 2011, a decrease in covered export volume has been observed. A decrease in the number of applications was observed in 2010. However, since 2011 an increase has been observed again [1].

A decrease in demand of export credit guarantees was also observed in Finland and the UK in 2011. In Finland, demand for export credit guarantees in 2011 accounted for nearly one third of the demand in 2010 [16]. In the UK, the number of the issued export credit guarantees decreased by 20.7% in 2011 compared to 2010. The largest number of guarantees issued in the UK was observed in 2010 [12].

In Latvia, over the period from 1 June 2009, when the export credit guarantee programme was launched to December 2011, 138 applications were submitted in order to receive export credit guarantees. Latvian companies most actively applied for export credit guarantees in 2010, when 64 applications were received. Out of 138 applications received, 100 applications were approved. It means that 72.5% of all applications have been approved [23].

LGA provides export credit guarantees to many countries that are considered to be heightened-risk countries. Analysing the issued export credit guarantee portfolio by country, it can be concluded that throughout the period of export credit guarantee availability from 2009 to 2011 most export credit guarantees were issued to transactions to Russia in terms of the extent and number. In 2011 Russia was the third largest export partner of Latvia after Lithuania and Estonia [23].

Regarding export credit guarantees offered by export credit agencies in the EU, it is important to mention an important restriction – export credit guarantees are provided to cover the risks only for transactions to heightened-risk countries. As heightened-risk countries are considered those countries that are outside the EU and are not any of these industrialized countries – Australia, Canada, Iceland, Japan, New Zealand, Norway, Switzerland and the United States [18].

Other export credit agencies in the EU use a special rating to classify the countries by a risk level. For example, in contrast to other export credit agencies in the EU member states, COFACE (export credit agency in France – *Compagnie Française d'Assurance pour le Commerce Extérieur*) assigns a rating to each country it monitors. This rating reflects the average risk of short-term non-payment for companies in this country [6]. Country classification, which classifies countries by a risk level, is also used by the Finnish export credit agency Finnvera [5]. The authors consider that

the use of such classification makes export credit guarantee issuance more transparent and facilitates the acquisition process of export credit guarantees.

At the moment, export credit guarantees in the EU are not provided either to the EU member states or to a number of member states of the Organisation for Economic Co-operation and Development (OECD). Export credit guarantees are available to developing countries, emerging economies, which have seen a rapid growth in recent years, such as Asian, Latin American and African countries. In recent years, Brazil, Russia, India and China or the BRIC countries, as well as the member states of the Commonwealth of Independent States (CIS) have become especially attractive export markets.

For most member states of the EU, the largest number of export credit guarantees is issued to transactions to Russia. For most member states of the EU, Russia is one of the major trade partners. Russia attracts exporters with its broad market and advantageous location. Also an important factor why most export credit guarantees are issued directly to export to Russia is the fact that Russia is one of the world's leading and developing or the so-called BRIC countries, which is huge in terms of both territory and population, thus creating an enormous market. In recent years these countries have gained an increasingly important role in the global economy; therefore, Russia is an attractive country for starting up a business. Russia is attractive with its large market and other significant benefits, but at the same time its market is difficult to predict.

It is also essential to explore the level of attractiveness of the EU and OECD member states were during the time when export credit guarantees were available to these countries. It can be concluded that export credit guarantees to the EU and OECD member states were not popular in comparison with export credit guarantees issued to developing countries, to which export credit guarantees were available from the beginning [23]. One of the main reasons why export credit guarantees to the EU and OECD member states were unpopular is the fact that the EU and OECD member states were not traditionally considered to be heightened-risk countries. Consequently, fewer companies are applying for export credit guarantees to these countries because they are not as unpredictable markets as Russia, Belarus and other countries, to which export credit guarantees are available.

Export credit guarantees in the EU are available to exporters from any sector of economy. The authors of the paper have analysed the economic sectors that receive the majority of export credit guarantees. In Finland, most export credit guarantee contracts have been signed with exporters, who represent traditional sectors of Finnish economy, such as telecommunications and the energy, forest and shipbuilding industries [13]. In contrast, in Germany export credit guarantees are widely used in oil and gas sectors, renewable energy sector [1]. In Latvia, during the period from the launching of the export credit guarantee programme on the 1st June 2009 to December 2011, most export credit guarantee contracts were signed with exporters representing wood and cork industries. Wood is one of the main Latvian export

goods, which is reflected in the issued export credit guarantee portfolio [23].

Similarly, during the period from 2009 to 2011 a large share of export credit guarantees was issued to exporters operating in computer, electronic and optical equipment industries, as well as in non-metallic mineral product industry [23].

Annually, changes are observed in the export credit guarantee portfolio by sector. As the export credit guarantee programme does not have restrictions on industry, companies from different sectors of economy apply for export credit guarantees, thus contributing to the economic development in Latvia.

An important fact that is necessary to mention is that export credit guarantee programme in the EU member states has its limits, which differ from one country to another. In Germany, the export credit agency Hermes Cover classifies many types of export credit cover by target groups, payment terms, and insurable risks. Export credit guarantee for German manufacturers covers up to 95% of the amount of deferred payment, but export credit guarantee for service providers covers up to 95% of deferred payment for political risks and up to 85% for commercial risks [10]. In contrast, the export credit guarantee programme offered by the French export credit agency COFACE covers up to 95% of the amount of deferred payment, but it can be reduced depending on a certain case [22]. In the Latvian export credit agency LGA, export credit guarantee covers up to 90% of the amount of deferred payment; however, the sum should not exceed EUR 1 000 000 to one buyer [26].

In order to receive the export credit guarantee, various documents must be submitted, such as an application form to receive the export credit guarantee, tax payment reference of SRS, as well as the financial report of a buyer. In contrast, in France the documents, which are necessary to submit in order to receive the guarantee, are classified according to turnover of an enterprise. Enterprises, whose turnover is below 75 million EUR per year, must submit an explanatory note, presentation form, application form, environmental annex, annex of public work, as well as annex on the fight against corruption and protection of personal data. However, enterprises, whose turnover exceeds 75 million EUR per year, must submit an explanatory note, presentation form, application form, credit insurance annex, foreign share annex, environmental annex, as well as annex of public work, annex of bank about the request of credit insurance for large customers and annex of exporter about demand for credit insurance for large customers [3].

Not only the limits of export credit guarantee programme differ from one EU country to another, but also the process of receiving export credit guarantees. The authors of the paper have also analysed the receiving process of export credit guarantees in different EU member states. The general scheme of the receiving process of export credit guarantees is displayed in Figure 1.

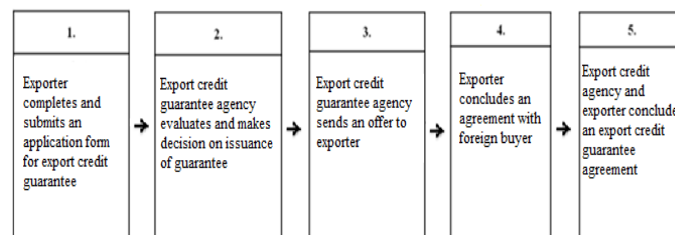


Fig.1. The receiving process of export credit guarantees [20].

As it is demonstrated in Fig.1, the receiving process of export credit guarantees usually consists of five stages. At the first stage, an exporter has to complete an application form to receive the export credit guarantee, and together with the tax payment reference must submit it to the export credit guarantee agency. Exporter must also submit an annual report for the last years, the operational balance sheet and profit/loss statement. This does not apply to newly established companies. An application form to receive the export credit guarantee is relatively simple. Thus, it can be concluded that the application to receive the export credit guarantee is quite easy and not bureaucratic.

At the second stage of the receiving process of export credit guarantees, the export credit guarantee agency evaluates the risks of buyer's country, as well as exporter's eligibility to the previously mentioned criteria. After that the export credit guarantee agency makes the decision on the issuance or refusal of the export credit guarantee within approximately two weeks.

At the third stage, if the export credit guarantee agency decides to issue the guarantee, it sends an offer to an exporter, in which it indicates the amount of the export credit guarantee, its maturity and premium. An exporter must answer to the offer within three months.

At the fourth stage of the receiving process of export credit guarantees, an exporter concludes an agreement with a foreign buyer. Finally, at the last stage the export credit guarantee agency and an exporter sign an export credit guarantee agreement. After that the exporter receives the export credit guarantee.

The overall conclusion made after the analysis of the receiving process of export credit guarantees is that the receiving process of export credit guarantees is not complicated and does not take much time. The governments of the EU member states have made a significant contribution to make the receiving process of export credit guarantees more accessible to all exporters. Therefore, the process is relatively quick – the LGA, for instance, conducts the evaluation and makes a final decision on whether to issue or refuse the export credit guarantee within fifteen working days but often it takes even less time.

However, it was observed that a demand for export credit guarantees sharply decreased in Latvia in 2011, in comparison with the previous years. The programme of export credit guarantees is facing various problems that hinder its further development. The analysis of the official statistical data has been performed, and interviews with specialists have been

conducted in order to detect the existing problems of export credit guarantee programme, as well as provide suggestions for addressing these problems.

The main problems that prevent the development of export credit guarantees are, first of all, the lack of export credit guarantees for export to the member states of the EU and OECD. Secondly, an important problem that hinders the development of export credit guarantees is the lack of a common financial development institution. Thirdly, exporters' lack of awareness of export credit guarantee availability is also an issue that must be taken into account. Last but not least, newly established enterprises often receive a denial of obtaining export credit guarantees.

The main and the most significant problem that prevents the development of export credit guarantees and needs to be addressed as soon as possible is the lack of export credit guarantees for export to the member states of the EU and OECD. Export credit guarantees to these countries were available but only for a short period of time – from 1 July 2010 to 31 December 2010. As a result, EU exporters were able to get financial support for exports to all EU member states, as well as to such OECD member states as Australia, Canada, Iceland, Japan, New Zealand, Norway, Switzerland and the USA. However, currently this option is no longer available, which hampers the development of export credit guarantees.

At the moment, a number of EU member states are facing serious economic and financial problems. As a result, they have become heightened-risk export markets; therefore, it is highly desirable to provide export credit guarantees in order to help promote export to these countries. The total export of Latvia and export to the EU and OECD member states, distinguishing export to the heightened-risk countries (Greece, Portugal, Spain, Ireland and Italy) are reflected in Fig.2 in order to justify the need to resume the availability of export credit guarantees to heightened-risk member states of the EU and OECD.

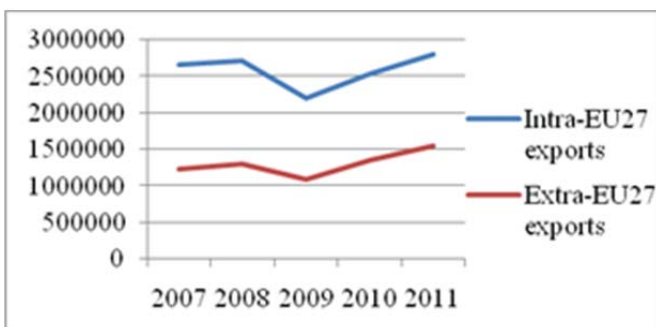


Fig.2. Export volumes in the EU [15].

As shown in Figure 2, the EU export experienced a rapid change based on statistical data, which shows that the Intra-EU27 export volume from 2007 to 2011 increased by 5.37% while extra-EU27 export volume over this period increased by 25.02%. Extra-EU27 export is export between the EU member states and non-member countries, while intra-EU27 export is

export among the EU member states. Both intra-EU27 export and extra-EU27 export volumes decreased in 2009 due to the global economic crisis, which resulted in deterioration of economic situation in various EU member states. In 2010, when most EU member states were recovering from the economic recession, export volumes increased again and exceeded pre-crisis volumes.

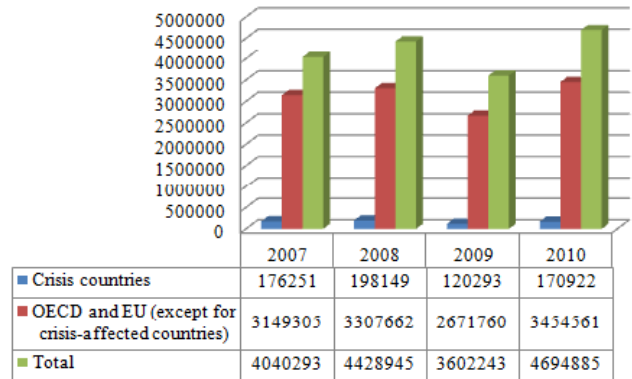


Fig.3. Latvian export volumes [8].

For example, as shown in Fig.3, Latvian export experienced a rapid change based on statistical data, which shows that the total export volume from 2007 to 2010 increased by 16.2%. In 2008, total export increased by 9.62% compared to 2007. In 2009, as a result of the global economic crisis a sharp decrease in export volume was observed, which led to a sharp decline in total export volume by 18.7%, compared to 2008. In 2010, when the Latvian economy started to recover from the sharp recession, export increased by 30.3% compared to 2009.

Similarly, export to the EU and OECD member states (except for the crisis-affected countries) in the period from 2007 to 2010 both increased in 2007 and experienced a sharp decrease in 2009. Therefore, a correlation with total export volume has been observed.

Analysis of export to the OECD and EU member states (except for the crisis-affected countries) confirms that export to these countries has a large share in the total Latvian export. In 2007, exports to the OECD and EU member states (except for the crisis-affected countries) accounted for 77.9% of total export. In 2008 the share was slightly lower accounting for 74.7% of total export volume. In 2009, a share of export to the OECD and EU member states (except for the crisis-affected countries) in total export volume continued to decline still accounting for the largest share of total exports – 74.2%. In 2010, a share of export to the OECD and EU member states (except for the crisis-affected countries) in total export volume was 73.6%.

Consequently, it can be concluded that export to the OECD and EU member states (except for the crisis-affected countries) accounts for 3/4 of the total exports on average, which proves that they are the most important markets for the Latvian exporters. The main and traditional Latvian export market is the EU. LGA provides export credit guarantees to

emerging economies. However, the Latvian export to countries, such as the BRIC countries, is relatively small.

The key factor influencing this situation is that these countries are considered to be heightened-risk countries; therefore, it is necessary to provide guarantees in order to help promote export to these countries. Although export credit guarantees are available to these countries, export to these countries amounts to a minor part of total exports since for the Latvian exporters an important and crucial factor for entering new export markets is their location. The EU member states were traditionally the most favourable export markets, and resuming the availability of export credit guarantees to the heightened-risk member states of the EU and OECD would promote the Latvian export.

IV. POTENTIAL FOR IMPROVING BUSINESS ENVIRONMENT IN THE EU

The research conducted by the authors confirms that the demand for export credit guarantees to the EU and OECD member states during the period from 1 July 2010 to 31 December 2010, when export credit guarantees were also available to the EU and OECD member states, was not as high as previously expected. This may be explained by the fact that most companies managed to cover the risks to private insurers and they did not apply for the export credit guarantees. Another important argument is that the period, when export credit guarantees were available to the EU and OECD member states, was too short to conclude an agreement with Latvian exporters to receive guarantees to these markets. In addition, many exporters were not informed on the opportunity to receive export credit guarantees to the EU and OECD member states.

However, during the period, when the European Commission (EC) allowed issuing export credit guarantees for export to the EU member states, the demand for the guarantees was rather moderate. On the other hand, an important argument for resuming the availability of export credit guarantees to the heightened-risk member states of the EU and OECD is the fact that currently a number of the EU member states are facing serious economic problems.

Export to these countries does not account for a large part of the total export, but at the same time export volume to these countries is not small. For Latvia, all export markets are important; hence, the promotion of export to the crisis-affected countries is essential. It is positive that, although in 2009 due to the economic downturn, export to the crisis-affected countries fell sharply, in 2010 export to the crisis-affected countries increased by 42.1%, compared to 2009.

The economic crisis has turned Greece, Portugal, Spain, Ireland and Italy into heightened-risk countries because entrepreneurship in these countries is currently difficult to predict. Greece was forced to resort to international donors to rescue its economy from bankruptcy. This country is now seen as a heightened-risk country due to existence of both commercial (buyer's insolvency, lack of assets, refusal to make deferred payments) and political (riots, strikes) risks.

Consequently, it is desirable to resume the availability of export credit guarantees to the heightened-risk member states of the EU and OECD because in recent years some of these countries have become high-risk countries. It is positive that the EU member states have already started discussing this problem. On April 2, 2012 the EC approved an amendment on excluding Greece from the number of EU member states, to which export credit guarantees are prohibited [4]. This is a great step towards abolition of prohibition to other crisis-affected countries.

It is concluded that the availability of export credit guarantees to the crisis-affected EU member states will encourage export. In order to provide guarantees to the EU member states, permission from the EC must be obtained, which means that the Ministry of Economics of the Republic of Latvia should actively negotiate with the EC and the other EU member states in order to obtain such permission. Latvia is not the only EU member state interested in resuming the availability of export credit guarantees to the heightened-risk member states of the EU and OECD countries. Therefore, an active communication with a number of the EU member states that have a similar opinion on this issue should be made. Those EU member states, which have a similar opinion on this issue, should arrange meetings with other EU member states to discuss this issue and benefits brought to development of each member state after resuming the availability of export credit guarantees to the high-risk member states of the EU and OECD.

In the article, the authors have elaborated the model for the argumentation to provide export credit guarantees to crisis-affected countries demonstrating a range of benefits the export credit guarantees may bring to the EU economy (see Fig. 4). The model may be used as a reasoned justification for the negotiations with the EC to widen the geography of the export credit guarantee availability.



Fig. 4. Model of benefits in case of resuming the availability of export credit guarantees to the EU member states.

As demonstrated in Fig. 4, the model consists of six stages. It shows the benefits that may be brought to the EU in case of resuming the availability of export credit guarantees to the EU member states. Firstly, in recent years Greece, Ireland, Italy, Portugal and Spain have become high-risk countries; thus, export to these countries has become unpredictable. If export credit guarantees are available to high-risk developing countries, then this possibility should also be available to the high-risk EU member states. The availability of export credit guarantees to the EU member states will definitely foster the development of the export credit guarantee receiving companies, encourage the development of the crisis-affected countries, as well as stimulate their recovery from the economic crisis because entrepreneurship in these countries is to be facilitated. This will also encourage the formation of new businesses in crisis-affected countries.

It is also recommended that the EC removes the prohibition of export credit guarantees to the crisis-affected member states of the EU because this will stimulate their exports. In addition, these countries will be able to encourage their economies by exporting to each other. Consequently, exports of a crisis-affected country, as well as the development of other crisis-affected countries could be promoted. In addition, as most crisis-affected countries have received loans and financial support from the EU, the resuming of export credit guarantees may stimulate the debt repayment. Moreover, abolition of the export credit guarantee prohibition will bring benefits to the entire EU – the EU's competitiveness in the world will be improved.

V. CONCLUSION

As a result of their research, the authors have concluded that export credit guarantees play a crucial role in the improvement of the business environment in the EU since they significantly reduce the payment risks associated with running international business by giving the exporter conditional assurance that payment will be made if a foreign buyer is unable to pay. By using export credit guarantees, exporters in the EU member states can increase export sales and compete more vigorously on the global market, therefore, improving the competitiveness of the EU in the world.

As a result of the analysis performed, the authors have come to a conclusion that the resuming of the availability of export credit guarantees is highly desirable in order to help the crisis-affected member states of the EU to recover from the financial and economic problems and to promote the development of the entire EU.

If the EC considered and accepted the justification for resuming the availability of export credit guarantees to the crisis-affected member states of the EU, a large number of companies would start exporting to these markets, as well as a large number of enterprises would facilitate exports to these countries.

REFERENCES

- [1] Annual report 2011 [Online]//Export Credit Guarantees of the Republic of Germany, Hermes Cover. - Available - http://www.agaportal.de/pdf/berichte/e_jb_2011.pdf Accessed: August 22, 2012)
- [2] Coface : expert des risques commerciaux [Online]//COFACE. - Available - http://www.coface.fr/CofacePortal/FR_fr_FR/pages/home/Qui_sommes_nous (Accessed: August 2, 2012)
- [3] Comment s'assurer? [Online]//COFACE. - Available - http://www.coface.fr/CofacePortal/FR_fr_FR/pages/home/pp/assurcredit_export/Comment (Accessed: August 20, 2012)
- [4] Communication from the Commission amending the Communication of the Commission to the Member States pursuant to Article 93(1) of the EC Treaty applying Articles 92 and 93 of the Treaty to short-term export-credit insurance, 2012/C 117/01 [Online]//Official Journal of the European Union. - Available - <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2012:117:0001:0002:EN:PDF> (Accessed: August 3, 2012)
- [5] Country classification and map [Online]//Finnvera. - Available - <http://www.finnvera.fi/eng/Export/Credit-Guarantees/Country-classification-and-map2> (Accessed: August 2, 2012)
- [6] Country rating methodology [Online]//COFACE. - Available - http://www.coface.com/CofacePortal/ShowBinary/BEA%20Repository/countryRisk/en_EN/help/methodisquepays (Accessed: August 2, 2012)
- [7] Export activities [Online]//Investment and Development Agency of Latvia. - Available - http://www.liaa.gov.lv/eksportetajiem/eksporta_pasakumi/
- [8] Export and import by countries and territories (thousand LVL) [Online]//Central Statistical Bureau of Latvia. - Available - <http://data.csb.gov.lv/Dialog/varval.asp?ma=AT0020&ti=ATG02%2E+EKSPORTS+UN+IMPORTS+PA+VALST%CEM+UN+TERITORIJA%2M+%28t%FBkst%2E+Ls%29&path=../DATABASE/atirdz/lkgad%2E7jie%20statistikas%20dati/%C2r%2E7j%20tirdzniec%EEba/&lang=16> (Accessed: July 30, 2012.)
- [9] Export consultations [Online]//Latvian Chamber of Commerce and Industry.- Available - <http://www.chamber.lv/lv/pakalpojumi/1265616162> (Accessed: August 3, 2012)
- [10] Export credit cover for service providers [Online]//Export Credit Guarantees of the Republic of Germany, Hermes Cover. - Available - <http://www.agaportal.de/en/aga/produkte/leistungsdeckung.html> (Accessed: August 20, 2012)
- [11] Export credits [Online]//European Commission. - Available - <http://ec.europa.eu/trade/creating-opportunities/trade-topics/export-credits/#agencies> (Accessed: August 3, 2012)
- [12] Export Credits Guarantee Department Annual Report and Accounts 2011-12 [Online]//UK Export Finance. - Available - <http://www.ukexportfinance.gov.uk/assets/ecgd/files/publications/plans-and-reports/ann-reps/uk-export-finance-annual-report-and-accounts-2011-12.pdf> (Accessed: August 24, 2012)
- [13] Export financing [Online]//Finnvera. - Available - <http://www2.finnvera.fi/annualreport/en/vuosi-2011/viennin-rahoitus> (Accessed: August 20, 2012)
- [14] Export guarantees [Online]//EULER HERMES. - Available - <http://www.eulerhermes.ru/en/export-guarantees/export-guarantees.html>
- [15] Extra-EU27 trade, by Member State, total product [Online]//EUROSTAT. - Available - <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tet00038&plugin=1> (Accessed: July 30, 2012)
- [16] Financing for the working capital of SMEs and export credit guarantees for long-term financial arrangements [Online]//Finnvera. - Available - [http://www.finnvera.fi/eng/Finnvera3/News/\(newsid\)/2564](http://www.finnvera.fi/eng/Finnvera3/News/(newsid)/2564) (Accessed: August 24, 2012)
- [17] For enterprises [Online]//Latvian Guarantee Agency. - Available - <http://lga.lv/index.php?id=4&L=1> (Accessed: August 3, 2012)
- [18] For which commercial activities is it provided? [Online]//Latvian Guarantee Agency. - Available - <http://lga.lv/index.php?id=47&L=1> (Accessed: August 3, 2012)
- [19] Guarantees: an overview [Online]//EKN. - Available - <http://www.ekn.se/en/Moduler-och-funktioner/Smaller-companies/Oversikt-engelska/>
- [20] How is guarantee obtained? [Online]//Latvian Guarantee Agency. - Available - <http://lga.lv/index.php?id=50&L=1> (Accessed: August 3, 2012)
- [21] Ministry of Foreign Affairs Report on the Foreign and European Affairs in 2011 [Online]//Ministry of Foreign Affairs of Latvia. - Available - www.mfa.gov.lv/data/file/Arpolitika/zinojums.pdf

- [22] Quelesth'intérêt de l'Assurance-crédit export? [Online]//COFACE. - Available - http://www.coface.fr/CofacePortal/FR_fr_FR/pages/home/pp/assuredredit/export/interet (Accessed: August 20, 2012)
- [23] Report of Q4 2011 [Online] // Latvian Guarantee Agency. - Available - http://lga.lv/uploads/media/LGA_2011_IV_cet_parskats.pdf (Accessed: July 30, 2012)
- [24] What are the guarantee limits? [Online]//Latvian Guarantee Agency. - Available - <http://lga.lv/index.php?id=72&L=1> (Accessed: August 3, 2012)
- [25] What is an Export Credit Guarantee? [Online]//Latvian Guarantee Agency. - Available - <http://lga.lv/index.php?id=46&L=1> (Accessed: August 3, 2012)
- [26] What risks does the guarantee cover? [Online]//Latvian Guarantee Agency. - Available - <http://lga.lv/index.php?id=48&L=1> (Accessed: August 3, 2012)



Evita Andersone holds a Bachelor Degree in Business Administration (Riga Stradiņš University), 2011. At the moment, the author is a 2nd year student of Riga Technical University to acquire Professional Master

Degree in International Relations Management.

The author participated in students' conference in social sciences in Riga Stradiņš University, presenting the research "Leasing Service Analysis and Development Problems in Latvia (comparative analysis of the Baltic States) in 2011.

E-mail: anderson.evita@gmail.com



Olga Bogdanova has obtained a Master Degree in Economics, 2006 (Riga Technical University). The author finished doctoral study programme in Management in 2010, as well as elaborated the Doctoral Thesis "Latvian Development Models in the Internal Market of the European Union". The author graduated from the Pforzheim Fachhochschule, Germany, in 2004-2005, and finished the study programme in Pedagogics (specialization – the teaching of engineering science subjects) at the Institute of Humanities of RTU in 2006.

The author has been working at the Ministry of Economics of the Republic of Latvia since 2005; the current position is a Senior Officer, as well as giving lectures related to international business at Riga Technical University since 2008. The author has published 23 scientific publications and presented the results of her research at 15 international and local conferences.

E-mail: nameolga@yahoo.co.uk

Evita Andersone, Olga Bogdanova. Eksporta kredīta garantiju loma ES uzņēmējdarbības vides uzlabošanā

Eksporta kredīta garantiju loma Eiropas Savienības uzņēmējdarbības vides uzlabošanā ir nozīmīgs un aktuāls temats, jo šobrīd vairākas Eiropas Savienības dalībvalstis saskaras ar nopietnām ekonomiskām un finansiālām problēmām, kā rezultātā eksports uz šīm valstīm ir kļuvis riskants un neprognozējams. Pētījuma mērķis ir izpētīt pastāvošo eksporta kredīta garantiju sistēmu Eiropas Savienībā, noteikt tās priekšrocības un trūkumus, kā arī izstrādāt priekšlikumus tās uzlabošanai. Pētījuma izstrādē ir izmantotas analītiskās un grafiskās metodes, lai apstrādātu un izpētītu pieejamo informāciju, kā arī ekonomiski matemātiskās un statistiskās metodes, kvantitatīvās un kvalitatīvās metodes statistikas datu analīzes veikšanai. Rakstā ir detalizētāk apskatīta un analizēta eksporta kredīta garantiju sistēma un tās attīstība Latvijā, salīdzinot to ar pastāvošajām sistēmām citās Eiropas Savienības dalībvalstīs. Pētījuma ietvaros ir izstrādāts argumentācijas modelis eksporta kredīta garantiju programmas atjaunošanai eksportam uz Eiropas Savienības un Ekonomiskās sadarbības un attīstības organizācijas dalībvalstīm. Raksta noslēgumā ir atspoguļoti pētījumā veiktie secinājumi.

Эвита Андерсоне, Ольга Богданова. Роль гарантий экспортного кредитования в улучшении предпринимательской среды ЕС

Тема гарантий экспортного кредитования в улучшении предпринимательской среды ЕС является важным и актуальным вопросом, т.к. в настоящий момент многие страны Европейского Союза переживают экономические и финансовые проблемы, в результате которых экспорт в данные страны стал рискованным и непрогнозируемым. Цель исследования - изучить существующую систему гарантий экспортного кредитования в Европейском Союзе, констатировать ее недостатки, а так же выдвинуть предложения для ее улучшения. В исследовании авторы используют аналитические и графические методы для анализа статистических данных. В статье более подробно анализируется и описана система гарантий экспортного кредитования и ее развитие в Латвии, сопоставляя ее с практикой других стран Европейского Союза. В рамках исследования разработана модель аргументации для возобновления программы гарантий экспортного кредитования в страны Европейского Союза и страны Организации Экономического Сотрудничества и Развития. В заключении статьи представлены общие выводы исследования.