

# **SPEECH BY THE PRESIDENT OF INDIA, SHRI PRANAB MUKHERJEE AT THE INAUGURATION OF DIAMOND JUBILEE CELEBRATIONS OF ECGC LIMITED**

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It is indeed a pleasant occasion to me to be present amidst you on the inauguration of the Diamond Jubilee celebrations of ECGC. As the then Commerce Minister, I have had the privilege and opportunity earlier of closely observing the functioning of ECGC which is completing 60 years.

2. The world is becoming steadily more complex, challenging, inter-linked and inter-dependent. The economic and political dominance of Europe and the USA is retreating with a great degree of multi-polarity arising in the global geo-political scenario. The world trade is now dependent on larger emerging economies including China and India.

3. The developed world has been facing crisis such as that of 2008, Eurozone crisis and now there are current commercial and economic risks, the reality of BREXIT, an influx of refugees leading to a migrant's crisis etc. The risk landscape has turned adverse with non- trade barriers being progressively imposed by trading nations. The dissipation of trust between trading partners has necessitated a real time assessment of the credit standing of overseas buyers. Geopolitical instability, economic downturn, war and terrorism have further hampered growth of world trade.

4. In spite of these global headwinds, our economy is performing well. With GDP growth rising to 7.6 percent in 2015-16 from 7.2 percent in the previous year, we are ahead of the rest of the major economic powers. A normal monsoon this year is expected to provide fillip to this year's growth, unlike the last two years when below normal rains created an agrarian crisis and caused much rural distress. Our external sector remains steady while we are committed to prudent fiscal consolidation. This augurs well for our macro-economy but we must remain cautious on the trend of food prices.

5. Weak global demand has adversely impacted our exports as reflected by a fall of 2.1 percent in the first quarter of 2016-17. However at the same time, imports have declined sharply, by 11.5 percent over this period. A lower trade deficit has helped in reducing the current account deficit to 0.1 percent of GDP in the first quarter of 2016-17 from 1.2 percent in the corresponding quarter of last year. Reviving exports in a scenario of sluggish demand worldwide will remain a serious challenge for us. We must overcome by improving competitiveness of the domestic industry through better infrastructure and regulation.

6. In this context the role of an Export Credit Agency [ ECA ] is of central importance in international trade and investment flows. These institutions are, in a manner of speaking, akin to policy instruments at the disposal of the sovereign to ensure adequate and timely support to national exports by way of extending credit, insurance and guarantees. They develop the platform upon which exporters and bankers sustain existing markets in addition to exploring new markets. Absence of an ECA adds to the underlying political, economic and financial uncertainty. ECAs offer more than just trade credit insurance. Their role in an economy is multifaceted with protection against risks, enabling access to bank finance, information and expertise in trade finance.

7. Asia contributes one third of Global Merchandise Trade (GMT) but 22% of Trade Credit Insurance (TCI). In the economic progress of a country, the Property and Casualty Insurance (P & C) business matures first and then the TCI expands once the economy becomes fully developed. In contradistinction to this general trend, TCI in China and India is significantly ahead of Property and Casualty Insurance (P & C). The main driver for this is export credit insurance and the high level of penetration ECAs have made in both countries.

8. It is a matter of pride that ECGC has played such a pivotal role in the country's trade sector. During my tenure as Commerce Minister, I became aware of the various schemes and customer initiatives of ECGC. I recall that huge claims due to foreign exchange transfer delays were being paid to hundreds of exporters on account of defaults in Sudan, Tanzania, Zambia and Nigeria. These compensations by ECGC came in very handy then to exporters who had big exposures on Africa. The organization has grown over the years significantly and has contributed to stability in our trade sector.

9. The attitude towards ECAs changed substantially after the global financial crisis. ECAs then expanded their operations to help the banking

system provide liquidity and restore lending. In India, ECGC had already been supporting export lending by banks for a long time. The role of ECGC during the global financial crisis was important and its efforts well directed. Commercial banks at that point of time restrained themselves from financing trade, with exposure to international markets, mainly because of a heightened risk perception. It was at that point of time that the importance and the relevance of the ECGC came to the fore given that there was an enhanced need for guarantees and insurance to facilitate the release of trade credit. Export credit insurance and guarantees in the spectrum of trade financing are of critical importance in today's scenario of continuing high systemic risk.

10. I am particularly glad to note that ECGC today is insuring banks whose share is almost 70% of the export credit disbursed in the country. The covers offered at various stages of lending bring a certain degree of comfort for banks in today's uncertain times. ECGC has paid out record claims to banks by way of compensations particularly since 2007. Banks under ECGC cover also enjoy substantial relief in the capital allocation for their export credit outstandings.

11. Internationally, ECGC is one of the oldest members of the Berne Union which is an association of ECAs and credit insurers from 73 countries. It is amongst the top 5 agencies in value of commitments, business covered and premium and has been making an active contribution in various committees including the management committee and in multilateral interactions.

12. We today observe that several developed countries have consciously introduced special concessions and stimulus packages to manage the present downturn. We in India also need to ensure that our exporters are adequately supported through appropriate policy interventions. In particular, we need to be focused on the SME sector which has the potential for accelerated growth but is at the same time considered a high risk venture by commercial lenders. The ECGC also needs to respond appropriately in the light of the overall macro situation and the business practices followed by its counterparts all over the world.

13. The Parliamentary Standing Committee on Commerce recently appreciated the commendable work and efforts undertaken by ECGC for overall growth of India's exports. The Committee also recommended that for ECGC to play a greater role in export promotion, support in maximum liability and capital etc., needed to be extended by government. It also stated that in

order to achieve the overall export target, the framework of export credit insurance and guarantee ought to be made more robust. I am confident that Government will examine these recommendations and take steps as are necessary to strengthen our institutional credit guarantee framework in the trade sector.

14. A robust, vibrant and well-functioning ECGC can be an enabler for putting the country back on a high export growth path. It is, therefore, necessary that all stakeholders in the ECGC provide the necessary leadership and direction for it to move forward. With these words, I once again wish all of you the very best for your diamond jubilee celebrations and hope that you will continue to excel in the future also.

Thank you.

**JAI HIND !**

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