INSURANCE OF EXPORT CREDITS AS A BASIS FOR THE ACTIVATION OF FOREIGN ECONOMIC ACTIVITIES OF ENTERPRISES

Urgency of the research. The study of the domestic practice of export credit insurance is due to the need to intensify the export activity of enterprises.

Target setting. An important condition for stimulating the activity of export-oriented enterprises is the formation of an effective mechanism for lending export operations and ensuring the insurance protection of property interests of foreign economic entities.

Actual scientific researches and issues analysis. Scientific works of such scientists as K. S. Barbash, Ye. O. Boyko, M. V. Karyakina, L. B. Kolinets, M. S. Klapkiv, G. S. Timofieva are devoted to the study of the problems of creating an export credit protection system.

Uninvestigated parts of general matters defining. The peculiarities of the formation of the mechanism of insurance of export credits in the conditions of the necessity of growth of domestic exports are insufficiently investigated.

The research objective. Identification of the main shortcomings of the organization of insurance protection of export activity in Ukraine and determination of the directions of improvement of the mechanism of state support for insurance of export credits.

The statement of basic materials. The article substantiates the necessity of forming a system of insurance protection of export credits with state support. Existing features of the domestic legal and regulatory framework regulating insurance and guarantee of export credits and operation of the Export Credit Agency are revealed. The author’s approach to classification of export credits and types of insurance of export credits is offered.

Conclusions. Thus, the practice of developed countries shows that in order to intensify the export activity of domestic commodity producers, it is necessary to form a system of insurance protection of export credits with state support.

Keywords: export loans; Export credit agency; export credit insurance, commercial risk; non-commercial risk; political risk.

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Urgency of the research. Export activity of domestic enterprises plays an important role in development of national economy, contributing to the attraction of significant volumes of currency funds to Ukraine, the development of partnership relations between the subjects of foreign economic activity and the introduction of innovative mechanisms for the organization of international trade. In the conditions of macroeconomic instability and reforming of various spheres of economic activity, the important
task is to create favorable conditions for the activity of exporters, as well as to strengthen their competitive positions in foreign markets of goods and services.

The urgency of this study is due to the need to improve the system of state support for domestic exports through the creation of a mechanism for securing export operations, which will significantly increase the level of competitiveness of exporting companies in the world market and will facilitate the activation of their activities.

**Target setting.** The formation of an effective mechanism for lending export operations and ensuring the insurance protection of property interests of foreign economic entities in the process of circulation of financial resources between them are the necessary conditions for the intensification of export activities. The main component of such a mechanism is considered to be the support of the state as the most interested party in the growth of export activity and increase foreign exchange earnings to ensure a positive balance of payments of the country and the stability of the national currency. But the state support system must take into account the requirements of international law and comply with the rules of the European Union in the field of assisting export-oriented producers.

**Actual scientific researches and issues analysis.** To the problems of the formation of an effective exporters' protection system and the creation of a developed lending infrastructure and guaranteeing export credits in Ukraine were devoted many scientific works by Y. Belinska, K. S. Barabash, Ye. O. Boyko M. V. Karyakina, L. B. Kolynets, M. S. Klapkov, G. S. Timofeyev, K. V. Tkachenko, T. B. Topolnitska, G. V. Chernov and other prominent scholars.

However, at the present stage problems, related to the formation of a system of insurance protection of export credits with state support require a deeper study and urgent solution.

**The research objective** is to reveal the peculiarities of the existing system of organization of insurance protection of export activity in Ukraine and to determine the directions of improvement of the mechanism of state support for export credit insurance.

**The statement of basic materials.** One of the conditions for a stable economic development of the country is to increase the competitiveness of products in the international market and increase export supply. Each company focuses on foreign sales markets, as it contributes to increasing production volumes and increases its profits. But for the exporter enterprises it is necessary to create conditions for increasing their competitiveness in international markets and to introduce mechanisms of state financial support of their activities.

During the last years, there was a negative dynamics in the field of domestic exports, and as a result of 11 months of 2016 the volume of export of products has decreased by 6% - up to 32.7 billion dollars in comparison with the similar period of 2015 [1] (Fig. 1).

![Fig. 1. Dynamics of commodity exports of Ukraine](image_url)
Despite the existing export potential of the domestic economy, many factors hinder the development of foreign trade by exporting enterprises. Among the main ones there is an absence of a legislative framework that would ensure the insurance protection of entities in the export process and the proper infrastructure for its functioning. Therefore, there is a need to create an effective mechanism for stimulating the activities of exporters and establish an effective system of financial support for exports, not only through the use of the mechanism of lending, but also the organization of insurance protection.

For a long time, the legal framework for securing foreign trade activities of export-oriented enterprises was forming. Thus, in 2011 a draft Law of Ukraine “On State Financial Support for Export Activities”, which was adopted in 2012, but was vetoed by the President of Ukraine, as it did not provide for the establishment of an effective mechanism for financial support for exports. Changes in the development of export insurance did not take place as well as a result of the approval of the Concept for the establishment of a system of state support for Ukrainian exports in 2013 [2].

In 2015, it was decided to create an export-credit agency to provide state support for export activities of domestic enterprises in the form of its lending and insurance. However, only in December 2016 the Law of Ukraine “On ensuring the large-scale expansion of export of goods (works, services) of Ukrainian origin by means of insurance, guarantee and cheapening of export lending” (the law) was adopted in order to protect the domestic exporters from the risks of non-payment and financial losses, as well as to increase their competitiveness. “(Hereinafter referred to as the Law), aimed at providing state support for exports through the organization of insurance, reinsurance, guarantee and partial compensation of interest rates for export credits.

Export credit in terms of Law refers to the loan provided by the bank-creditor:
1) to a foreign buyer for the purchase of goods (works, services) of a domestic exporter;
2) a bank of a foreign buyer to finance the supply of a domestic exporter within the framework of the implementation of the foreign economic agreement;
3) to a domestic exporter to ensure the supply of goods (works, services) in accordance with foreign economic agreement or to provide such production [3].

Thus, the law consider an export credit bank and credit relations mandatory is a subject to banking institution acting as a lender. But in the process of foreign trade, commercial (commodity) credit, which arises in the form of a delay in payment, and in this case the creditor is a domestic exporter (seller).

So, in case when relations the supply of goods or the provision of services between the subjects of foreign economic is carried out not on conditions of subscription, then there is an export commercial loan, which is accompanied by the risk of non-payment by a foreign partner.

Thus, export credits can be divided into two types:
1) export commercial (commodity) credit;
2) Export Bank Loan.

Insurance of all types of export credits plays an important role in the development of foreign economic activity of enterprises, as it provides an increase in export deliveries through the development of potential markets, monitoring of the financial status of a foreign partner according to the commercial, credit and insurance contract, as well as increasing the competitiveness of domestic products. Therefore, the Law provides for types of insurance that can be considered referring to:
1) Insurance of export commercial loans:
   - insurance of foreign economic agreements - insurance of property interests of the Ukrainian exporter, connected with full or partial disobeyed obligations in terms of the foreign economic agreement;
   - insurance of confirmed letters of credit - insurance of property interests of the bank of the Ukrainian exporter, connected with full or partial non-fulfillment of obligations of the bank of the foreign buyer on the invoice;
2) insurance of export bank loans:
   - insurance of export credits - insurance of liability of the borrower (Ukrainian exporter, foreign buyer or bank of a foreign buyer) to the bank creditor, related to non-fulfillment of the loan agreement terms;
ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

- інші види кредитів для експорту

1) комерційні ризики:
   - несплатів з боку фізичної особи, банку або компанії;
   - банкрутство фізичної особи, банку або компанії;
   - незбалансування умов договору;
   - несплатів фізичної особи, банку або компанії, після 180 днів, якщо продавець зазнає незбалансування умов договору;

2) нокомерційні ризики:
   - природні лиха; 
   - вогні та аварії у водних системах;
   - накопичення заборгованих ресурсів;
   - зміни в законодавстві, що призвели до незбалансування умов договору;
   - припинення працівниками в експортера або інші санкції.
Mechanisms of state financial support for exports through special government bodies whose activities are unified in accordance with the requirements of international trade relations function in 70 countries of the world. For example, in the United Kingdom there is the Export Credit Guarantee Department (ECGD), in the United States, the Export-Import Bank (EIB) and the Private Investment Corporation (OPIC) are responsible for export credit insurance, while the National Agency for Export Credit Insurance Corporation operates in Poland (KUKE), in France, the CFDCE, which is controlled by the state, is engaged in the insurance of export credits in Italy by a special subdivision of the state insurance company INA and others. [4].

It should be noted that abroad many different export models are supported. In Germany, both public and private exporters operate at the same time; in most European countries, credit and guarantee and insurance functions are split between different institutions; in American practice, credit guarantee and insurance functions are combined in the activities of special institutions, but in any case they are components an effective mechanism that stimulates international trade relations.
The main benefits of creating and operating an ECA are:
✓ providing the comprehensive financial state support for export operations;
✓ availability of sufficient financial resources to secure the subjects of foreign economic activity in case of large losses;
✓ providing the necessary credit resources of exporting companies;
✓ taking into account the norms of international law in the settlement of insurance cases;
✓ forming of informational database on the enterprises activities and monitoring;
✓ accelerating the turnover of capital in export supplies;
✓ facilitating the entry to the international market of domestic commodity producers [5; 6].

Since domestic exports in recent years increased the share of raw materials from 52% in 2010 to 62% in 2015, and the share of high-tech products in exports amounted to only 6% in 2015, the law provides for spheres of stimulation of export activity in Ukraine. Thus, carrying out its activities, the ECA should support the export of works, services, and goods in 16 groups of the Ukrainian Classifier of Goods for Foreign Economic Activity (UCF FEA), among which there are: food products, light industry, aircraft engineering, instrument making, shipbuilding, pharmaceuticals, machinery, furniture industry, IT services and others. [7]

The creation of ECA is considered to be one of the steps to support the international expansion of Ukrainian goods and to increase export volumes by 2019 [1]. Achievement of this result is possible, since only after the adoption of the Law in the first quarter of 2017 the volume of domestic exports of goods and services amounted 12.4 billion dollars, which is 28% (UAH 2.7 billion) more than in 2016. Expansion of goods export volumes is observed almost in all sectors of the economy. In the export of goods, the largest share is in products of the agro-industrial complex and food industry (44%), metallurgy (23.4%), machinery (10.4%), and mineral products (9.2%) [8].

Thus, in the process of formation of an export-oriented economy, it is necessary to ensure effective state financial support for exports and to significantly reduce the risks of exporters; therefore, in order to develop export-import insurance, it is necessary to create the proper infrastructure and regulatory base taking into account the experience of other countries and modern standards of international business.

Conclusions. Thus, the practice of advanced countries of the world shows that in order to intensify the export activity of domestic commodity producers, it is necessary to form a system of insurance protection of export credits with state support. To do this, it is necessary to formulate the relevant regulatory framework, with clearly defined sources of financing for the process of creating and operating the necessary infrastructure, and outline the conditions for the participation of the state. Also, in the organization of insurance protection, it is necessary to clearly classify all types of export credits and risks in case of occurrence of insurance, avoid duplication of functions of various financial and credit institutions, eliminate contradictions between different rules of law and requirements of the WTO, develop a mechanism of interaction between ECA and exporters, establish clear criteria for selection of goods and services that are supported by ECA and ensure transparency in decision-making on financial support from the state. This will ensure the competitive advantages of domestic commodity producers in the world market and will contribute to stabilizing the national economy at the expense of capital inflows from export activities.

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