

PRODUCTIVITY COMMISSION INQUIRY INTO AUSTRALIA'S EXPORT CREDIT ARRANGEMENTS

SOCIETE GENERALE SUBMISSION

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BUILDING TEAM SPIRIT TOGETHER

1 – Introduction

Société Générale is one of the leading financial services groups in Europe. With its diversified universal banking model, the Group aims at a sustainable growth strategy with the ambition of being a relationship-focused bank, a leader in its markets, close to its customers, and recognized for the quality and the commitment of its teams. The Group, with more than 150,000 employees, has a wide presence across the globe (operating in 77 countries).

Export Finance at Société Générale provides medium to long term financing for cross border trade of capital goods and services using Export Credit Agency cover. This is one of the global businesses the Group has developed over the years, which benefits from a strong market recognition not only in Europe but also in the Americas as well as the Asia Pacific region. As a result of this global footprint, being furthermore particularly active in Natural Resources, Infrastructure and Telecom sectors, we work with EFIC on outbound transactions (financing of Australian exports of capital goods and services) as well as domestic transactions (in the oil and gas sector notably).

Our professionals enjoy a fruitful and trustworthy working relationship with EFIC, not only at the occasion of concrete deals but also under more informal circumstances such as international seminars where we can think over new initiatives that may be of help. After the Financial Crisis the world has violently experienced, the support of Export Credit Agencies such as EFIC has ultimately proved to be of the utmost importance to keep trade going on.

2 – Filling the “market gap”

EFIC is a relatively small ECA compared to other ECAs in Europe or in the US for instance. Its role must however be regarded as quite decisive in complementing the support provided by the private market.

The “market gap” is a reality which takes various – and new – forms : i) the risk (ie the capacity to get exposed on a counterparty be it corporates, banks, projects, ... without forgetting the country risks) ii) the tenor (usually the projects we are contemplating are based on a long term economic horizon and need long tenor financing to simply allow adequate reimbursement profile) iii) more recently the liquidity strain (banks’ ability of acceding to liquidity); this becomes particularly acute after the Lehman Brothers’ collapse in September 2008, iv) new regulatory framework (Basell III reform will have an impact as it does not reflect the collateral value and risk mitigation provided by government-backed ECAs).

Without benefiting from the support of ECAs the commercial banks would face difficulties to finance a significant number of projects. We would even highly appreciate that EFIC be in a position to get committed in consideration of higher amounts. EFIC’s capacity to ease liquidity is also very positively viewed. As a matter of fact other jurisdictions have adopted and even recently launched specific programmes aiming at filling the liquidity gap such as SEK in Sweden, KfW Funding or the “Securitisation Guarantee” in Germany, ELO in Denmark, ... Most of these programmes help the commercial banks to get long term refinancing.