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국제학석사학위논문

**Comparative Analysis of ECA strategies
of the East Asian Countries in
Construction Market**

한중일 ECA 제도 분석을 통한 해외건설시장 진출
방안 도모

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**Comparative Analysis of ECA strategies of
the East Asian Countries in Construction
Market**

by

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A thesis submitted in conformity with the requirements for
the degree of Master of International Studies (M.I.S.)

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Comparative Analysis of ECA strategies of the East Asian Countries in Construction Market

ABSTRACT

In a modern time, importance of Export Credit Agency has been accentuated more and more. As a size of investment in a conventional industry becomes uncontrollable with its own capital, financing the gap has been brought to a new level. A construction market is not an exception for this. Here the ECA kicks in to play a next level. To understand the ECA system clearly, this paper first delves into the historical origin of the ECA and how it has been evolved as time goes by.

Then, the paper examines how ECA has settled into a norm activity in the current WTO/OECD scheme. Later in the paper, the author will compare ECA practices in Japan, China and Korea in a construction market. Based on the

analysis, the author argues that couple policy suggestions to Korean government to enhance ECA efficiency.

Keywords: Export Credit Agency, Construction Industry, WTO, Agreement on Subsidies and Countervailing Measures, OECD

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ABBREVIATIONS

DSB	Dispute Settlement Body
ECA	Export Credit Agency
EIBC	Export Import Bank of China
ENR	Engineering News Record
EPC+F	Engineering, Procurement, Construction, and Financing
GCC	Gulf Cooperation Council
GCM	Global Construction Market
GATT 1947	General Agreement on Tariffs and Trade 1947
GATT 1994	General Agreement on Tariffs and Trade 1994
ICAK	International Contractor Association in Korea
ICM	International Construction Market
JBIC	Japan Bank of International Cooperation
KSURE	Korea Insurance Corporation
KEXIM	Korea Export Import Bank
NEXI	Nippon Export and Investment Insurance
OECD	Organization for Economic Co-operation and Development
SCM	Subsidies and Countervailing Measures

SINOSURE	China Export and Credit Insurance Corporation
SOE	State Owned Enterprise
WTO	World Trade Organization

Chapter I. Introduction

1. Research Background

An Export Credit Agency (hereinafter ECA) is a governmental apparatus to facilitate the development of one's economy and enhance economic cooperation with foreign countries through a provision of financial supports for export and import transactions, overseas investment projects, and the development of overseas natural resources. Although the concept may look unfamiliar to many people, this agency first introduced by the United Kingdoms at the end of first World War I. The rationale for the United Kingdom to introduce this new system was to aid unemployment and to re-establish export trade disrupted by the war.

Since the first introduction of ECA by United Kingdom after the WWI, the importance of ECA in world economy has been increased continuously to a stage on which many industries are now relying. Especially for “order-receiving industries”, an ECA is not a simple method of funding projects but it has worked as a backbone of the industries' export market in recent years. And obviously International Construction Market, where international players mainly participate,

is no exception. In fact, many of mega-projects in international construction market are funded directly from ECAs. For example, Barakah Nuclear Plant in UAE is a good example of how money from Korean ECA streams to a mega project. As an ECA plays a bigger role in the construction industry, it is necessary to understand its influence in the market carefully and delicately. In the past, Korean Construction Firms have excelled their performance in International Construction Market. Unfortunately, Korea has lost its market volume significantly for last five years. On the other hand, China and Japan have excelled in the same field. This change can be attributed the different stance of three countries toward ECA system as we have witnessed the changes in ECAs from each country. Also, Korean employees in the construction industry have continuously complained the lack of proper ECA system in Korea is the main culprit for downturn in the industry in the world. This in turn makes this topic into a researchable topic.

Previously, there had been scholars researched about ECA's importance or its implication on economy as a whole. And many of them focused on ECA's role in commodity trade only. And recently, a few had attempted to understand its implication on Korean construction companies in International Construction Market. Unfortunately, such researches not only are outdated but also fail to shed

lights on characteristics of ECAs in rivalry countries—China and Japan—in the construction industry with Korea. For that, this paper will engage in-depth research on Korean ECA structures and its policies on overseas investment projects by comparing with ones of Japan and China through which the paper will find some of efficient ways for Korean ECAs to support Korean construction players.

2. Research Objectives and Methods

Currently, many developed countries use ECA system to not only promote each country's export but also use the system as carrots in forming an amicable relation with foreign (mainly developing) countries. In order to avoid any misuse or abuse of this tool, user countries agree to make a binding agreement like WTO's Agreement on Subsidy and Counter Measurement (hereinafter WTO ASCM) or a gentlemen's agreement like OECD ECA Guideline. However due to loosen terminologies and terms in the agreement, there is no formulaic form of ECA but rather each country's ECA practice differs by degrees. As most of ECA norms are in discretion of each country, it is necessary to analyze state level policies to understand one country's ECA system. By analyzing and researching each country's ECA structure and system, the paper will suggest policy direction

on improving Korean ECA under the global norm and standard to maximize efficiency and to fulfill its goal: supporting Korean construction firms' export activities.

Firstly, the paper will briefly look through the previous researches on ECA by other scholars on the field, then try to point out the remaining empirical puzzle of each research. Then in following chapter, the paper will explain international construction market and related external factors in recent years. Also, this chapter will show what ECA is and its relation to the international rules and agenda. Later in the same chapter, author will tell how the external factors in ICM led the market to be more dependent on ECA. In chapter 4, Korea, Japan and China's ECA norms and structures will be thoroughly explained with exemplary cases and any other related national policies to ECA system. China and Japan will be subject to be studied in this paper, mainly due to their similarity in developing and modernizing economy with that of Korea developmental economy. Such comparison would make paper's policy suggestion more reliable. In chapter 5, the paper comparatively analyzes the characteristics of each country's ECA through which the author delves in to find lessons applicable to Korea's ECA system. In the last chapter, it will conclude with summary of the research as well as analyzed points from the research.

The paper mainly focuses on legal and institutional research based on literature review of the field but also delves into each country's ECA agenda and up-to-date national policies. To overcome a limitation of literature review, author has also contacted working group in the relevant departments of government agencies as well as private companies in the field to enhance the validity of the research.

Chapter II. Export Credit Agency's implication in trade

1. Literature Review

In the past, there had been some researches on ECA system. In early 2000, when subsidy became a hot issue in trade, many scholars have studied to find legality of ECA under the World Trade Organization. Kwang Seok, Park (2002), Jong Won, Lee (2003) analyzed export subsidy schemes of Korea to the shipbuilding industries and tried to come up with counter plans for possible international trade disputes. Kim Ji Yong (2007), on the other hand, researched on not only shipbuilding industry but also semiconductor industry—Hynix that were eventually brought to WTO dispute settlement system and was penalized. However, those researches were only focused on specific industries that are differ from the research focus of this paper. Adding to that, subsidy schemes given to construction sectors and other export industries are fundamentally different to a level that lessons from the previous researches are not applicable to the field. Certainly, there had been past researches on ECA and construction industry in the past. For example, Oh Won Seok (2013) explained in his research on how to ECA promote Plant Sales by comparing with advanced countries, but his research only focused on the plant sector as well as the scope narrowed down to the advanced countries in Europe and USA. Hence. It is necessary to search in depth on ECA

especially comparing with countries with similar economic development patterns.

2. Export Credit Agency – Role and Legitimacy

Most of Export Credit Agencies in the world can be summarized with three basic functions. First, they help each country's exporters meet officially supported foreign credit competition. For example, developing countries and developed countries' interest rates are starkly different making almost impossible for private companies in each country to compete fairly. Thus, developing countries' governments (whose commercial interest rates are much higher than those of developed countries) are tempted to subsidize private companies' exports by offering buyers below-market, fixed-rate financings. Second, ECAs provide financing to foreign buyers when private lenders cannot or will not finance those export sales, even with the risks removed. Third, and perhaps their most important function, ECAs assume risks beyond those that can be assumed by private lenders. In business, there is some transactions that are not upheld by private sectors alone. And sometimes those unrealistic businesses must be materialized for irrational reasons. In order to materialize, ECAs must take risks as a vanguard then other risk averse institutions participate the rest of business portion. ECAs do not compete with private financial institutions. To the contrary,

they enhance the ability of their country's lenders to compete internationally. It should also be noted that they do not offer development assistance to other countries; other agencies typically fulfill this role.

There had been several cases in which the legitimacy of ECA was tested. Ever since the establishment of the WTO system, ECA was continuously brought back to WTO Dispute Settlement Body by a complaint to test its validity. In the past, the concept of ECA is not fully understood by both users and benefiteres. Thus, when an industry competitor felt unfairness by a certain country's use of ECA in the same field, the case was brought up without much consideration. From 1996 till now, there had been numerous cases in relation to ECA in which the verdicts of WTO Dispute Settlement Body now give a slight clue on ECA's legitimacy and illegitimacy depends on a situation.

First, a relationship between WTO and OECD in relation to ECA will be explained in the next sub-chapter. Later, the author will delve into one prominent WTO DSB cases in relation to the ECA: Measure Affecting Trade in Commercial Vessel (2005). This case explains what the key criteria are for an ECA provider to be exempted from any possible legal dispute, giving a slight idea on how one country shall operate its own ECA without much troubles in the world trade arena.

3. OECD/WTO's view on ECA

OECD's view on ECA

The OECD Arrangement on Guidelines for Officially Supported Export Credits is an evolving agreement among 22 OECD member governments (the “rich” industrial democracies) containing conventions for international cooperation and competition in officially supported export credits with a term exceeding two years (except for defense items and agricultural commodities), including guidelines for many of the export credit financing terms and conditions explained in this chapter. Said Arrangement also contains conventions and guidelines for the provision of tied aid credit supported by OECD countries. The agreement holds the force of law within the European Union, and is elsewhere considered a binding document, morally if not legally.

WTO's view on ECA

From 1960s, WTO member countries actively incorporated subsidies in their economic development strategies. Certainly, Article XVI of the GATT 1947 was too simple to regulate all the subsidizing behavior of contracting parties. Moreover, no word has been given to dictate ECA activities in the entire provisions. Although by the Tokyo Round, WTO came up with an agreement on

subsidies followed by the Agreement on Interpretation and Application of Article VI, XVI and XXIII of GATT (“the Subsidies Code”), there has been a fully completed legal provisions to dictate ECA activities in the WTO. Fortunately, as explained earlier, in the similar time OECD set its own guideline for ECA. In any case, WTO’s Subsidies Code confirmed the prohibition of export subsidies on non-primary products.¹ The GATT provisions regarding export subsidies on primary products, with minor variations were incorporated into Article 10 of the Tokyo Round Subsidies Code.² Compared to the previous one, more description

¹ Article 9 of the Subsidies Code provides that:

“Signatories shall not grant export subsidies on products other than certain primary products”.

² Article 10 of the Subsidies Code provides that:

i. “In accordance with the provisions of Article XVI:3 of the General Agreement, signatories agree not to grant directly or indirectly any export subsidy on certain primary products in a manner which results in the signatory granting such subsidy having more than an equitable share of world export trade in such product, account being taken of the shares of the signatories in trade in the product concerned during a previous representative period, and any special factors which may have affected or may be affecting trade in such product”.

ii. For purposes of Article XVI:3 of the General Agreement and paragraph 1 above:

(a) "more than an equitable share of world export trade" shall include any case in which the effect of an export subsidy granted by a signatory is to displace the exports of another signatory bearing in mind the developments on world markets;

(b) with regard to new markets traditional patterns of supply of the product concerned to the world market, region or country, in which the new market is situated shall be taken into account in determining "equitable share of world export trade";

(c) "a previous representative period" shall normally be the three most recent calendar years in which normal market conditions existed.

iii. Signatories further agree not to grant export subsidies on exports of certain primary products to a particular market in a manner which results in prices materially below those of

and explanation has been added to define subsidies. Yet, WTO did not incorporate detailed rules on ECA. Rather using OECD's guideline, WTO has been given verdict to the case whenever issues were brought up on ECA.

4. WTO DSB Case: Commercial Vessel Case

So far, Korea was taken to the WTO panel two times for ECA matters. One was the semiconductor case in 2002 and the other was the Commercial Vessel Case in 2005. The author decided to analyze shipbuilding case since it is alike industry with the construction industry. In this case, EC Commission raised an issue against subsidy given by Korea Export Import Bank (KEXIM). Korean government rebuffed the claim by EC that Korean government's financial supports to shipbuilding companies are prohibited subsidies since KEXIM is a governmental apparatus. So did Panel. Panel explained that financial contributions from governmental institution does not constitute the prohibited export subsidy, unless one can prove such contributions bring distortion to a market.³

other suppliers to the same market.

³ Refer to WTO WT/DS273/R Korea- Measure Affecting Trade in Commercial Vessels 2005 & ASCM Arts. 3.1 (a), 3.2, 4.7, 5(c), 6.3(a)

Chapter III. Understanding International Construction

Market & ECA system

1. International Construction Market Overview

To find why current International Construction Market (hereinafter ICM)⁴ needs capitals from outside institutions such as ECA, one needs to understand the current trends of ICM in general—volatility and increase in number of mega projects.

The first trend to define ICM is volatility. For last two decades, Global Construction Market (hereinafter GCM)⁵ has increased steadily, while ICM has been taking a downward slope for last five years. Such market trend is shown vividly using data from Engineering News-Record (ENR)'s total values of newly contracted projects from top 250 construction companies (domestic & foreign combined) & total values of overseas projects (foreign only) of the same companies. There is no doubt that total values of newly contracted projects

⁴ International Construction Market refers to a market where foreign construction companies can participate in based on ENR research institute

⁵ Global Construction Market refers to an entire construction market volume based on ENR research institute

(domestic & foreign combined) had downsized briefly in the year 2014-2015; but, the market resiliently recovered soon after. On the other hand, using the same data set, one can witness the volume of overseas projects (foreign only) dropping significantly for last five years, inferring most of newly awarded contracts were given to domestic (local) players of each country. This in turn shows how vulnerable ICM is to the external factors (Fig 1. Global Construction Market & International Construction Market Trend 2010-2017).

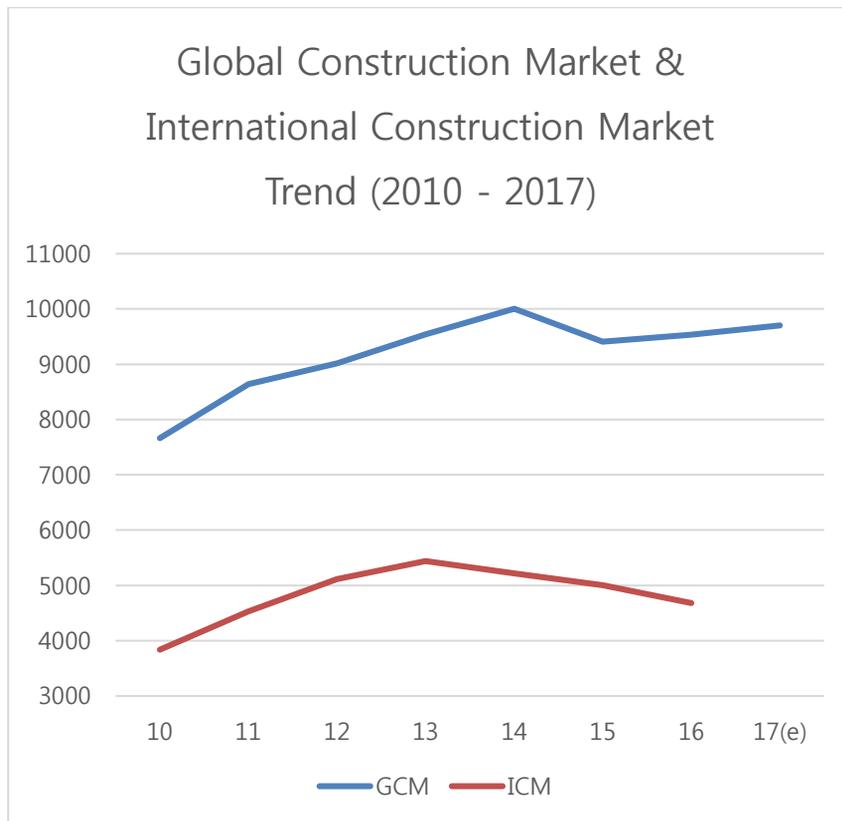


Fig 1. Global Construction Market & International Construction Market Trend 2010-2017

The second characteristic to define ICM is the increase in mega projects in the industry. According to Oxford Dictionary, Mega Project refers to a project with at least USD 1 billion value. In the past, it was technologically and administratively impossible to carry out such projects. It was simply too risky to

carry out such projects and financial institution was not ready to facilitate the required amount of capitals. Now the situation has changed. Mega projects are feasible as well as necessary to the global society. According to McKinsey's report, it says "The world needs megaprojects to deliver the economic and social goods that billions of people lack and to create the economic growth that will pay for them"⁶. Commercially, mega projects are a good way to bring economy of scale, fewer Capitals more social welfares. As of now and in future, we will witness initiation of more mega projects around the globe.

To give more insights, here are some external factors in the construction industry that might help readers to understand why such changes are inevitable

External Factor 1 : Low in Oil & Gas Price - 2008 Financial Crisis

The construction market has experienced a drastic change after 2008 financial crisis. When a bubble in the U.S. housing market exploded, the effects of it reached to the oil & gas market. Its price went down lest a great downfall of world economy. The dropped prices of oil & gas were stagnated for considerable time that most of resources depended countries faced budget issues. In fact, a

⁶ <https://www.mckinsey.com/industries/capital-projects-and-infrastructure/our-insights/megaprojects-the-good-the-bad-and-the-better> (Internet 2019.04.08)

report by KRC FOCUS “How low oil price impact on Korean construction industry” claimed that in 2014 total budget deficit of MENA region went over 300 billion USD which is more than average annual volume of projects in the region (Fig 2. Korean Companies' Tender Participation in Middle East).

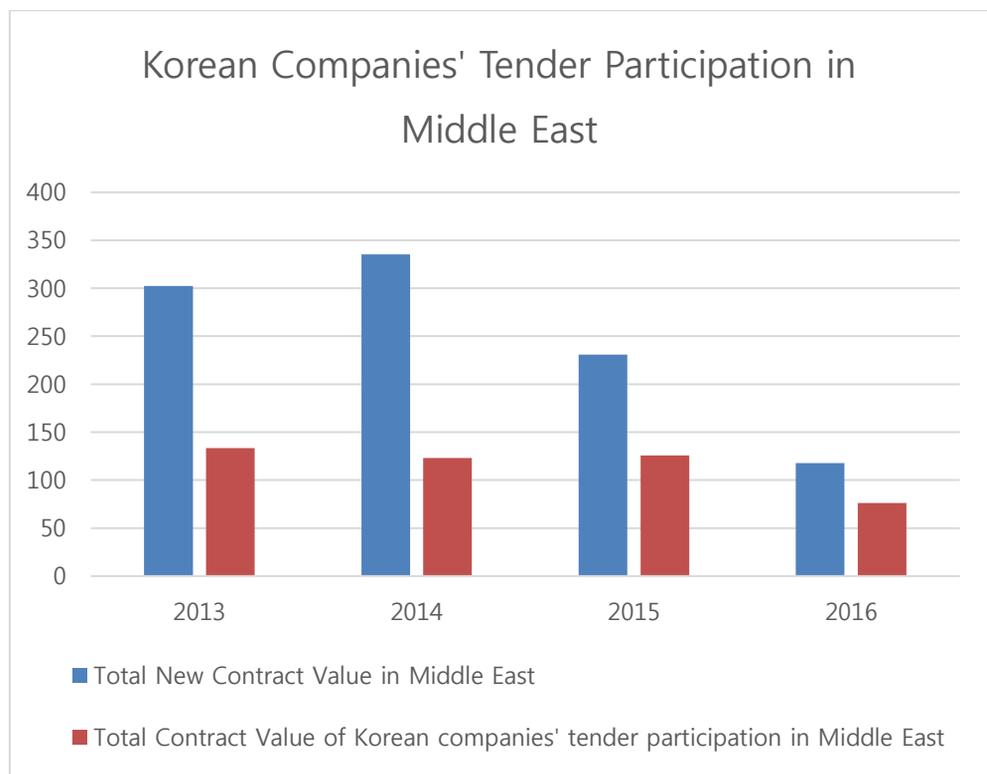


Fig 2. Korean Companies' Tender Participation in Middle East

Sudden break down in price of natural resources and national budget

deficit issues in resources dependent countries brought irrevocable changes in the international construction market affecting structural changes in construction sales activities. It is not an exaggeration to say that ICM is upheld by clients from resource rich countries, such as Gulf Cooperation Council (GCC) countries. So, when the price of natural resources went down, number of newly initiated projects from such countries dropped significantly to a point where many of renowned contractors went out of business due to lack of cash flow. However, the countries need to revamp or build infrastructures for its country even when there is not enough budget. Thus, Clients from these companies came up with sort of a new method to facilitate the capitals in need. This burdens contractors to mobilized necessary capitals for a project in turn the Client pays back in due course of time. This does not mean those countries stopped their development plan from a scratch. Now the mobilizing capitals becomes an important issue for not only clients (or developers) but also construction contractors. Hence this new fancy funding method, called Engineering, Procurement, Construction, and Financing (EPC+F) or Contractor Pre-Financing Scheme, was popularly introduced in the construction industry at this time, indicating how ECA becomes a key player in the field.

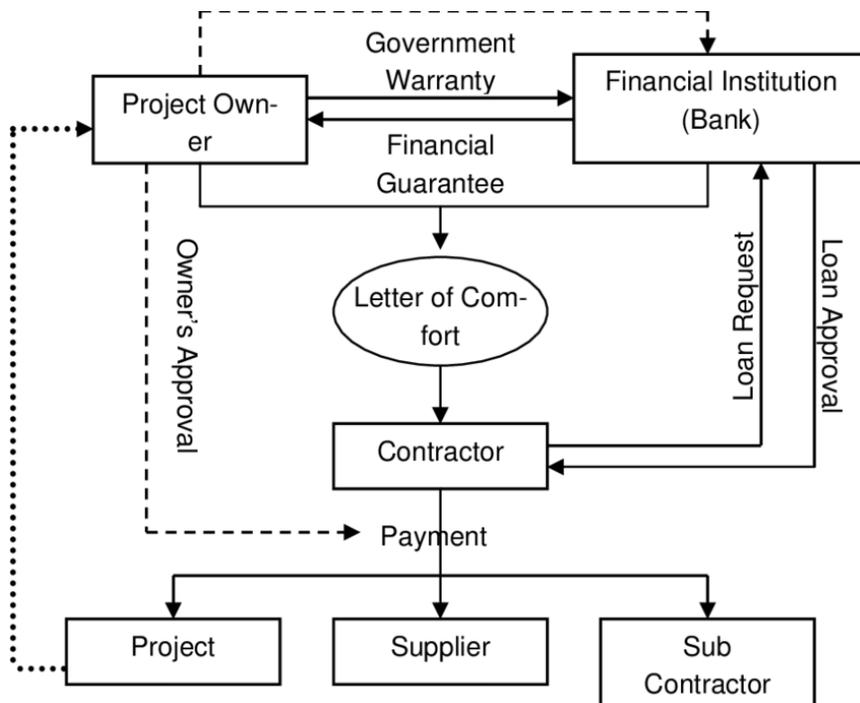


Fig 3. EPC+F Scheme (Contractor Pre Financing Scheme), excerpted Project Financing by Ban, Giro

External Factor 2 : Rise of China

Besides the oil price issue, emergence of Chinese construction companies was a detrimental factor to the already well-grounded international contractors in the market. Rise of Chinese contractors in ICM is a key issue in the field for a last decade. Like many other industries, Chinese contractors turned into a key

player in the construction market after 2008. China envisions a vast global network of trade, investment and infrastructure that will reshape financial and geopolitical ties — and bring the rest of the world closer to Beijing (New York Times). Heavily sponsored by the centralized government, Chinese construction companies, many of which are still State-Owned Enterprise (SOE), actively participate and carry out construction projects around the world. Number shows such movement well vividly. According to ENR Top Global Contractors Ranking list, 7 out of top 10 companies are Chinese in 2018; however, in year 2002 of the same ranking list, no Chinese company was in the top 10. Only China State Construction Engineering Corporation was ranked top 16. This tells how aggressive and active Chinese construction companies have been in the market.

To compete with Chinese Contractors, other international players need to find a way to source capitals. Since many of construction companies are lacking capitals to invest in a project more and more construction companies had to rely on the government sponsored financial institution, ECA.

2. Korean Construction Companies in ICM

Before the paper approaches to the main topic, it is better to understand the current status of Korean construction companies in ICM. Since its first

international contract of Thailand’s highway project in 1968, the industry has steadily increased its volume of awards in ICM till early 2010s (Fig 4. below). In fact, the construction industry was so vital to the Korean economy at one point, cash flow from international projects had worked as an artery of the country’s financial sector⁷.



Fig 4. Korean Construction Companies Overseas Contracts Value, ICAK, 2019

Like any other cycle of industry, there is a rise and fall. Korean construction industry also faced its downturn since the mid-2010. Noting that an

⁷ KRC KORUS “Analysis of Global Contractors: Revenues and Trends 2014

absolute number of newly project in each year has not been dropped significantly; however, the annual value has been halved. Also the share of Korean companies in the market dropped in recent years.

Year	2012	2013	2014	2015	2016	2017
Total Revenue	510,876	543,841	521,550	500,146	467,917	482,035
Korea	41,390	42,416	37,059	40,582	33,938	25,695
Share (%)	8.1	7.8	7.1	8.1	7.3	5.3

Fig 5. Construction Market and share of Korean companies, ICAK, 2019

Many experts explained reasons for such downturns are rooted from weak oil & gas price. However, as explained the annual number of newly awarded projects to Korean companies has not been dropped. This can be interpreted that big (mega) projects are given to other competing companies.

3. ECA's role in the construction market

Given the current trend in construction market, it is natural to see why we see irrational exuberance of ECA money in the market. Hungering for new projects, many construction contractors sought for financial investors (most of times using national financial institutions) as they did not have enough cash to

fund such projects. At the same time, many of advanced countries looked for chances to invest its abundant cashes due to their low interest rates and continuous quantitative easing policy to boost their economy from the recession since 2008. So naturally, needs from both sides met coincidentally and gradually the total sum of money pouring into an international construction market increased. Certainly, there are many other rationales and reasons to be dealt how contractor's financing has become so popular in the market. However, due to the limit of this research, those will be not dealt in this paper.

Chapter IV. ECA – China and Japan

China, Japan and Korea seemingly similar countries have distinct characteristics in various fields. Each country differs in utilizing ECA in its own taste. In this chapter, author tries to briefly explain how each country differs in operating its own ECA.

1. China – EIBC (CEXIM), SINOSURE

Chinese ECA has been characterized by its centrality and massive size. Since its first establishment of ECA (EIBC) in 1994, China's vast amount of capitals has been poured into many developing countries, through which Chinese contractors could advance into foreign markets without much difficulties. In fact, in 2013, the covered volume of capitals by SINOSURE, one of China's ECA, exceeds the entire amount of Korean and Japanese ECAs' coverage of the same year. Moreover, Chinese ECA is characterized with its unboundedness. Its vast capitals may be used without much hurdles as China is not a member of OECD. As explained, while WTO does have a sort of jurisdiction over ECA; the de facto rule book for ECA is governed by OECD at this moment. Thanks to that, China

has spacious freedom to utilize its ECA funds for not economic but political reason. Due to untransparent nature of Chinese government apparatuses, there is not much official data nor info to use them as smoking guns on this claim. However, based on empirical data in the international construction market, we can assume that there are some spooky things related to Chinese ECAs in developing countries. For last couple years, there had been many cases when winners of project tenders changed to Chinese contractors from other non-Chinese competitors due to the enticing negotiation behind the curtain with Chinese ECAs.

Also, there are some notable national policies in related to ECA in China. One of the renowned ECA policies dealing with construction industry is One Belt and One Road. Based on this, China exerts its financial influence to neighboring countries through which its construction companies advanced into other countries. Like this, there are numerous national policies in China to dictate instructions to Chinese ECAs. Thanks to this, number of developing Asian countries had benefited (?) and could carry out many mega projects that cannot be initiated with each one's budget.⁸

⁸<https://www.nytimes.com/interactive/2018/11/18/world/asia/world-built-by-china.html>

2. Japan – JBIC, NEXI

Unlike China, Japanese government has taken somewhat different steps dealing with ECA and its policy toward international construction market. For instance, the Japanese ECA tends to take a seemingly passive step when dealing with ECA. If not looked carefully, it seems Japan is not using the ECA a lot. However, instead of taking direct and full actions from government apparatuses (such as ECA), Japanese ECAs take a coordinating role when supporting its construction companies. For example, many of newly awarded projects by Japanese construction companies are mainly thanks to the Japanese ECA's careful coordination forming syndication loans with other commercial banks in Japan. Unlike China and Korea, Japan has a strong private commercial power and it is willing to swing its influence with low benchmark rate when giving the financial supports to its companies. Moreover, Japanese Official Development Assistance—Japanese International Cooperation Association (JICA)—actively participates in the construction sector under the name of ODA which may be interpreted as an unfair business transaction from other perspectives.

Also, Japanese government takes a new agenda dealing with construction

(Internet 2019.04.05)

companies at this moment. In 2015, Abe administration initiated a new agenda called Infra Japan 2030 which simply to explain is another format of helicopter money in Japanese government version to support Japanese construction companies dealing business in domestic or international.⁹

⁹ <https://www.mofa.go.jp/files/000291344.pdf> (Internet 2019.05.03)

Chapter V. Policy Suggestion

1. Overall Analysis

Aaby and Slater (1989) claim how the attitude of executive officers of a company toward foreign market determines its performance index of a company in the market. Taking this point to a next dimension, if upper echelons of a country pose a negative view toward ICM, it is natural to assume that people in the related industry would underperform in the foreign market. This might tell why Korean companies are underperforming in ICM nowadays. During Ex-President Lee Myung Bak, construction industry was in heyday due to active supports from the leaders of the country. However, after Ex-President Lee Myung Bak, construction industry was labelled as an inefficient industry consuming lots of taxes due to its failure in investment in foreign market at that time. Since then, there had been only nominal level of supports from the Korean government to the domestic market players while in China and Japan—other two comparative countries—each government has been aggressively expanded its supports in the field for various reasons as explained.

Certainly, all Japan, China and Korea use ECA to promote each one's export performance. Interestingly, each country has distinct characteristics in its ECA operation philosophy. To sum up, here is the chart to give slight ideas on how ECAs have been performed for the couple years in the past.

	Korea	China	Japan
ECA	KEXIM KSURE	EIBC (CEXIM) SINOSURE	JBIC NEXI
Investment Size Year : USD Bil	2011 : 206.7 2012 : 215 2013 : 217.8	2011 : 387 2012 : 501.4 2013 : 618.2	2011 : 85.9 2012 : 106.4 2013 : 90.9
Interest Rate Range	4-7%	Unknown (Unbound)	0-2%

Fig 6. Comparison Chart for Korea, China and Japan

Korea

Relatively huge amount of supports (Based on economic size)

Unfavorable interest rate for benefiteres (Not appropriate for long term business)

Japan

Focused on indirect forms of support rather than direct forms

Careful orchestrated supports with domestic commercial banks

China

Massive Support Volume with low interest rate

Unknown and not transparent (No information publication)

Upon reviewing the status and current agendas in each country, the author came up with two suggestions for Korean ECA to follow in the next chapter.

2. Policy Suggestion

In short, Korean ECA must be transformed. Unfortunately, according to annual survey (2014-2017) by International Contractor Association in Korea (ICAK) amongst construction related employees, poor supports from Korean ECA have been pointed out one of main culprit for poor performance in overseas sales for last couple years. While changing a government organization is not easy, here are some suggestions based on careful comparison of other two rivalry countries.

2-1 : Focus and Limit

It is noticeable to see that the total volume of Korean ECA funds are not underplayed. However, even compared to Japanese ECA performance, there is certain limitation in Korean ECA. One of the problems in Korean ECA is that it lacks its focus when utilizing it. With limited funds (comparatively speaking), decision makers must choose region to focus rather than sticking noses to every part of the world. Certainly, Asia and Middle East would put priority when putting limited capitals to bring maximized efficiency. To do so, it is necessary to separate ECA funds from the domestic politics. Sometimes simply to win a favor from other nations, politicians tend to give an empty promises to visiting

countries, promising investment or financial supports to the benefiting (?) countries for certain amounts. Whether such promises are fulfilled or not ECAs like KEXIM tends to keep such amounts in its vault thereby blocking efficient usages of limited budgets even more.

2-2 : Investment rather than lending

(Shifting the pendulum: no more direct funding)

Also, it is necessary to shift ECA to a next level now. Korean ECAs need to take some risks and become more sophisticated financial institution. So far most of ECA funds are given in a form of direct or indirect loan rather than a form of investment. Now that there has been few test and trials, it is necessary to invest which require lesser money and more effects in turn. Also, when investing by forming a syndicated loan, it is necessary to bring such Korean commercial banks to be evolved. Through error and trials of these investments, Korean ECAs would become a financial institution that can operate its limited budget more efficiently and sophisticated in the end.

Chapter VI. Conclusion

Korea's ECA Policy has been passive for the last couple years. And such passivism resulted downturn of Korean construction industry in overseas market. As the trend of International Construction Market shifted, it is necessary to adjust to a new environment to not only secure the current market share but also prepare for an upcoming paradigm shift. In this paper, we witness both China and Japan have aggressively supported each one's industry by applying the best applicable form of support. Based on the careful analysis, author concluded that Korean ECA must adopt the following policies to maximize efficiency of utilized capitals in Korean ECAs: 1. Focus and Limit 2. Equity Investment.

In short, there are limitations remaining in this research. For example, China's ECA organization has not been published its own data (such as amount of supports) for last couple years thereby making impossible to use up to dated data from other countries as well. Given the limitation and shortcoming of this research, the area must be studied for the future.

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국문초록

공적수출신용기관의 중요성은 날로 커지고 있다. 기업 프로젝트 투자의 규모가 기업 고유의 자본으로는 충당이 되지 않을 만큼 커지면서 자본력을 뒷받침해 줄 수 있는 금융기관 특히 공적수출신용기관의 역할이 커진 것이다. 건설 산업이 그 대표적인 예이다. 본 논문은 건설 산업을 중심으로 공적수출신용기관을 제도적으로 이해하기 위해 그 역사적 기원과 발전 경로를 살펴본다. 이를 바탕으로 해당 제도가 국제법적 틀 안에서 어떻게 수용되어 왔는지 국제무역기구(WTO)와 경제협력개발기구(OECD)의 관련 규정을 면밀히 검토한다. 제도적 분석과 더불어 본 논문은 한국,중국, 일본에서의 공적수출신용기관을 활용한 금융조달 관행을 비교한다. 해당 비교 분석을 토대로 우리나라에서의 공적수출신용기관 제도의 활용도를 높일 수 있는 방안을 제시한다.

키워드: 공적수출신용기관, 건설 산업, 국제무역기구, 보조금 협정, 경제협력개발기구

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