Development and Legitimacy of Export Credit Agencies:

A case study of the Swedish Export Credit Guarantee Board’s Exportkreditnämnden policy objectives and their compatibility with the Swedish policies for global development

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Abstract

The aim of this study is to analyze in which principal ways the Swedish Export Credit Guarantee Board’s Exportkreditnämnden (EKN) policy objectives are compatible and incompatible with Sweden’s Policy for Global Development (PGU). The study is conducted as a qualitative case study with secondary sources as empirical foundation. The literature on EKN’s operations have been examined and compared to the 17 goals of Agenda 2030, which are included in PGU. The findings of the study are thereafter analyzed with legitimacy theory as a theoretical lens. The study concludes that EKN’s policy objectives are compatible with PGU through the facilitating of sustainable investments in sectors with important social benefits such as ICT, transport and construction, power, and food production. Further, EKN also follows international environmental and social standards. However, there are aspects in EKN’s policy objectives, which are incompatible with PGU. For instance, the large support for arms trade, and the guaranteeing of deals and projects in sectors that do not have social or environmental benefits and where there are risks for potential negative environmental and social impacts. Legitimacy theory is used as a tool to analyze how these incompatibilities are legitimized by EKN.

Key Words: ECAs, policy for global development, sustainable development, Agenda 2030, Legitimacy theory, EKN, Sweden
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<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>ECA</td>
<td>Export Credit Agency</td>
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<td>EKN</td>
<td>Exportkreditnämnden (the Swedish Export Credit Guarantee Board)</td>
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<tr>
<td>ENATT</td>
<td>European Network Against Arms Trade</td>
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<td>EU</td>
<td>European Union</td>
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<td>EURODAD</td>
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<td>GATT</td>
<td>General Agreement of Tariffs and Trade</td>
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<td>ICT</td>
<td>Information and Communication Technologies</td>
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<td>MDG</td>
<td>Millennium Development Goals</td>
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<td>NGO</td>
<td>Non-Governmental Organization</td>
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<td>ODA</td>
<td>Official Development Assistance</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
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<td>PGU</td>
<td>Politiken för Global Utveckling (Policy for Global Development)</td>
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<tr>
<td>UHVDC</td>
<td>Ultra High Voltage Direct Current</td>
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<td>UKEF</td>
<td>UK Export Finance</td>
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<td>UN</td>
<td>United Nations</td>
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1. Introduction

The global community faces formidable challenges, not least when it comes to tackling climate change and promoting human rights. In September 2015, the UN resolution the Agenda 2030 (A/RES/70/1, 2015) was adopted at the United Nations Sustainable Development Summit. The Agenda 2030 consists of 17 development goals and is a plan of action for the people, the planet and prosperity that seeks to strengthen universal peace. The Agenda has an integrated approach that spans over all policy areas in order to achieve sustainable development in all three dimensions of development: economic, social and environmental (A/RES/70/1, 2015, p. 3). Sweden is a country known for its high moral values when it comes to issues as gender equality, refugee reception, environment, human rights, peace work and aid. The Swedish Government has incorporated the Agenda 2030 in its Policy for Global Development Politiken för Global Utveckling (henceforth PGU) and has the ambition to implement the 17 sustainable development goals of the agenda in all sectors of Swedish politics (2015/16:182). In a written communication (2015/16:182), the Swedish Government states that Sweden should take the lead in the implementation of the 2030 agenda and create policies that take marginalized peoples’ perspective and human rights into account in all sectors of society. Further, it is stated that the Swedish Government has the ambition to go even further than the 2030 Agenda when it comes to nurturing democracy, human rights and gender equality.

Even though the government wants to implement the Agenda 2030 in all sectors of Swedish politics (2015/16:182), Sweden has self-interests to achieve economic growth, particularly through exports since Sweden is an export-dependent country (EKN, 2016b). Companies engaging in cross border trade generally face higher risks than those operating in domestic markets. These risks include political and commercial risks and the level of risks vary depending on markets. However, there are instruments in place to mitigate risks for cross border trade, and the institutions providing those are Export Credit Agencies (ECAs) (Trung and Hilmarsson, 2012, p. 23). ECAs, such as the Swedish Export Credit Guarantee Board Exportkreditnämnden (henceforth EKN), are official government-backed agencies with the goal of supporting their national export or import of products or services (Wagner, 2017, p. 212). ECAs provide loans, guarantees and insurance to companies who want to export their products or services abroad and create an almost risk free environment when trading in
foreign markets (Mulligan, 2007, p. 104). Even though ECAs are important for facilitating trade in high-risk markets, reports from Non-Governmental Organizations (NGOs) (Amnesty International, 2013; ECA-Watch, 2013; Eurodad, 2011; ENAAT, 2007) criticize Western governments’ involvement in human rights abuses, environmental degradation and corruption through questionable deals and projects supported by their ECAs.

This thesis focuses on EKN’s policy objectives and their compliance with PGU. This represents an interesting research angle for development since EKN is a government-controlled agency that provides subsidies to companies and should therefore be expected to follow the goals and agendas of the State. EKN is particularly interesting since the activities of ECAs usually benefit sectors including arms, oil, gas, mining, dams, power plants, and heavy manufacturing - business sectors with heavy-footprints, that are often associated with human rights violations (Amnesty International, 2013, p. 5). In order for the Swedish government to “implement the 17 sustainable development goals of the 2030 agenda for sustainable development in all sectors of Swedish politics” (2015/16:182), the policies of EKN should comply with those goals.

The aim of this study is to analyze in which principal ways the EKN policy objectives are compatible and incompatible with Sweden’s policies for global development through a case study of EKN. Furthermore, I have chosen to analyze my findings by using Legitimacy theory, a theory commonly used in social accounting and analyses of the legitimation process of institutions and organizations (Deegan, 2002; Gray, Owen and Adams, 2010; Susith and Stewart, 2014; de Villiers and van Staden, 2006).

1.1. Research question

The research question is:

*In which principal ways are the policy objectives of EKN compatible and incompatible, with Sweden’s policies for global development (PGU)*?
2. Background

The concept that has been used to describe the increased world trade and foreign investments is globalization. Some argue that globalization’s effects are unequal where there are winners, (the western world) and losers (usually living in the developing and post-communist worlds) (Burnell, 2008, p. 29). Burnell (2008, p. 30) suggests that the answer is not to try to reverse the course of globalization, but to use policy instruments in an intelligent way to optimize its effect and to reduce harmful consequences. An example of such a policy is increased development finance, which is a strategy to facilitate faster growth in the economies of low- and in middle-income countries and for attending to the short-term basic material needs of people living under the poverty line. Development finance can come in various forms. It can be extra “own resources” either in the form of extra revenues for the government of developing countries or of increased personal disposable income for their citizens improving their productive capacity or improving the urgent situation for their families and communities. It may also have the form of official development assistance (ODA) (Clunies-Ross and Langmore, 2008, pp. 70-89). Some critics disagree fundamentally and argue that radical action is required, such as reversing globalization, de-growth or abolishing capitalism (Burnell, 2008, p. 30). A consequence of globalization is the growing “stateless” character of companies where companies have no partiality for any “home” territory. As a result, governments run an increasing risk of being “out flanked” by companies who only have loyalties to themselves and to their shareholders (Yearly, 1996, pp. 5-8).

Addison and Mavrotas (2008, p. 1), suggest that the increasingly integrated global market and the search for investment opportunities have given the developing world increasing shares of the flows of global savings. This is due to private investments in production, trade and infrastructure as well as foreign direct investments. However, the risks of investing in developing countries remain high, and are often unpredictable. Due to high risks, investment needs for developing countries are not matched with willing global investors. Despite the large increased trade flows, finance and technology in the world, the poorest countries (with largest risks) have had limited access to finance necessary for development (Addison and Mavrotas, 2008, pp. 4&19). However, ECAs exist to mitigate these risks and make it possible to trade with high-risk countries. The number of ECAs has increased over
the last century, which creates more competition for the global trade business (Wagner, 2017, p. 212). The Organization for Economic Co-operation and Development (OECD) recognizes thirty-two countries with official export credit agencies, the majority being Western “developed” states (OECD, 2017a). However, there are other ECA’s that are not recognized by the OECD. The activities of ECAs have proven to be important for trade in times of crisis (Turguttopbas, 2013, p. 282). Since ECAs are government-backed agencies, states provide funding from their general budgets. The subsidized export credit system is likely to mostly benefit the selected exporting industries. Selected industries benefit from officially supported export credits because they are signing more and greater value contracts, and are therefore important for the state (Turguttopbas, 2013, p. 315). Turguttopbas (2013, p. 215) suggests that this advantage provides unfair benefits to certain industries and to larger exporters. Therefore, which industries ECAs choose to support is of great importance since those industries obtain a significant advantage in the market. In addition, since ECAs are mitigating risks for cross border trade they can be very influential for development, depending on which industries they support.

2.1. International guidelines for Export Credit Agencies

After WWII, international agreements and institutions were established to bind governments to each other and to limit trade protectionism to provide capital for economic reconstruction. The GATT (General Agreement of Tariffs and Trade) treaty was created in 1947 to lower export subsidies, tariff and non-tariff barriers with the main purpose to liberalize international trade (Mulligan, 2007, p. 104). Since ECAs are government agencies, they must only follow domestic law, however there are a number of guidelines and regulations issued by international bodies that they should follow. Regulation through international guidelines was developed since the rapid use of ECAs made some governments suspicious of countries developing a competitive advantage, which they believed distorted international trade. Some of the most significant guidelines are those issued by the OECD, the World Trade Organization (WTO), the European Union (EU) and the International Union of Credit and Investment Insurers (Berne Union) (Mulligan, 2007, pp.105-106). The Berne Union is an international non-profit organization and the leading association for the global export credit and investment insurance industry. Its mission is to
enhance trade and investment flows globally through trade finance, export credit and investment facilities (Berne Union, 2015). The OECD brought the work of the Berne Union to a governmental level in 1963 when it established a permanent group on export credit and credit guarantees. Its purpose was to evaluate national policies concerning export finance and insurance, examine problems and discuss solutions at a global forum. This group developed the international guidelines known as “the Arrangement for Officially Supported Export Credits” which were realized in 1978. The main purpose of the Arrangement is to provide a framework for the “orderly” use of officially supported export credits and focuses on the financial aspects of ECA’s operations. In addition, the Arrangement seeks to “foster a level playing field for official support in order to encourage competition among exporters based on quality and price of goods and services exported rather than on the most favorable officially supported financial terms and conditions” (OECD, 2017b, p. 5). The Arrangement was established to combat subsidy competition in international trade (Mulligan, 2007, p. 114).

In 2001, OECD authored “the Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence” (the “Common Approaches”). The Common Approaches has since then been regularly updated and includes international standards that should be followed by member states. It recognizes that members and non-members adhering to the recommendation have obligations to protect human rights and fundamental freedoms as outlined in the “Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect and Remedy’ Framework” (OECD, 2016, p. 2). However, the Common Approaches (2016) also states: “the primary role of ECAs is to promote trade in a competitive environment, whereas multilateral development banks and development agencies focus primarily on development assistance”. The objective of the Common Approaches is to promote international coherence between policies regarding officially supported export credits, the environment, human rights and climate change in order to reduce potential trade distortion and promote a global level playing field. Excluded from the Common Approaches are military equipment and agricultural commodities (OECD, 2016, pp. 5-6).

In order to adhere to the Common Approaches, ECAs must classify the potential positive and negative environmental and social impacts in three categories: A, B and C. If a project is classified as Category A, it has the potential to have significant adverse environmental and/or
social impacts. Category B include projects that have the potential to have less significant adverse environmental and/or social impacts than projects classified as Category A. Finally, a project is classified as Category C if it has minimal or no potential adverse environmental and/or social impacts. Depending on the classification, “appropriate” actions should be taken (OECD, 2016, p. 8).

2.2. Overview of EKN

EKN is a hybrid bank-, insurance- and authority agency and was established in 1933 with the mission of promoting Swedish exports. EKN does this by insuring the risk of not being paid in export transactions by guarantees. A guarantee means that the state has taken on the payment liability (Sjögren, 2010). For instance, if the paying receivers cannot pay what they owe, the state will cover the costs. EKN also insures banks’ lending to both export companies and their buyers. EKN’s guarantees make difficult markets available and enable more secure export transactions. The activities of EKN increase export business’ opportunities since financing becomes easier for exporting corporations when EKN is sharing the payment risk (EKN, nd.c). They work with a range of companies of different sizes and guarantee their export business to over 130 countries (EKN, nd.a). Two companies that have received much support from EKN during a long time period are Ericsson and Saab. Ericsson is a Swedish telecommunication company and its cooperation with EKN started already in 1930. Saab AB is a Swedish company that focuses on defense and aircrafts. EKN existence is crucial for Saab’s operation and without EKN it would be reduced significantly (Sjögren, 2010, pp. 197-218). EKN’s commitment is on behalf of the Swedish state and the government assigns EKN’s Board and Director General. The Board of Directors consists of members from the business sector, Ministry of Finance, Ministry of Foreign Affairs and Business Sweden. They must follow instructions from the government stated in the annual letter appropriation and the Minister of Trade is responsible for EKN in the government (EKN, nd.a). The organization has characteristics of a market business and a governmental agency. However, EKN as a governmental agency has an unusual independent position in relation to the government (Sjögren, 2010, p. 12). The demand for EKN’s guarantees is high and in 2016 EKN guaranteed a historical level of 43.6 billion SEK to 130 countries and the outstanding guarantees 2016 were 201 502 billion SEK. The three greatest receiving countries were
Brazil, United States, and India and the three greatest sectors receiving guarantees were Telecom, Arms trade and Power. In addition, exports guaranteed by EKN in 2016 contributed to more than 20,000 jobs in Sweden and about SEK 22 billion to Swedish GDP (EKN, 2016b).

Furthermore, EKN participates in several international networks within the OECD, the EU and the Bernie Union and is governed by international regulations (EKN, nd.f). The threat of distortion of competition is widely discussed in the international community and the EU has a general prohibition of official support, which distorts or threatens to distort competition in ways that impact trade within the EU (EKN, nd.b). EKN follows the Common Approaches (EKN, nd.d) and the UN Guiding Principles on Business and Human Rights (EKN, nd.e). However, EKN specifies that “short-term letter of credit guarantees, working capital credit guarantees and defense material transactions are exempted from the human rights risk assessment” (EKN, nd.e). EKN’s mission is long-term and the authority will be self-supporting over time (EKN, 2016b, p. 45).

2.3. Sustainable development – an introduction

During the last 30 years sustainable development as a concept, as a goal and as a movement has been spreading rapidly over the world and is now central to the mission of a myriad of national institutions, international organizations, cities, and corporate enterprises (Kates et al., 2008, p. 369). The first widely used definition of sustainable development was developed by the United Nations’ World Commission on Environment and Development’s (Brundtland Commission) (Liu, 2009, p. 1413). In the report, Our Common Future, the Brundtland Commission defines sustainable development as ”development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (1987, p. 41). However, the sustainability literature is substantial and filled with numerous definitions. Different researchers emphasize different aspects of sustainability; some of these are ecological, economic and social sustainability (Liu, 2009, p. 1413). The Brundtland Commission’s definition of sustainable development can be seen as a compromise between the increasing demands for both the protection of the environment and economic development. Since economic development may degrade the environment and drain natural
resources, it is usually seen as contradictory to environmental protection. The idea of sustainable development is to achieve economic growth with reduced impact on the environment. However, the term "sustainable development" has been criticized of being very vague. There is also much "green washing", which means that a company or organization promotes a product or service as being environmentally friendly or "green" while it in reality is not (Liu, 2009, pp. 1414-1419). Yearly (1996, p. 98) argues that the notion of a “common future” is idealistic and does not take the unevenness of development and the inequalities of wealth and power into account. However, Yearly (1996, pp. 132-133) states that the discourse of development is powerful since it is hard to argue against, a reasonable policy-maker would not do anything else.

The 2002 World Summit on sustainable development expanded the standard definition of sustainable development with three widely used pillars: economic, environmental and social. In 2000, the UN General Assembly adopted goals regarding development, peace, environment and human rights etc. These goals were called the Millennium Development Goals (MDGs) and were ways to achieve sustainable development. Many of the goals contained specific targets that were supposed to be achieved by 2015 (Kates et al., 2008, p. 371). In September 2015, at the United Nations Sustainable Development Summit, the UN resolution Agenda 2030 (A/RES/70/1, 2015) was applied and replaced the MDGs. The Agenda 2030 consists of 17 development goals and is a plan of action for the people, the planet and prosperity and seeks to strengthen universal peace. It also states that all countries and stakeholders should implement this plan and it should be seen as a whole and not as separate goals (A/RES/70/1, 2015). The Agenda 2030 has an integrated approach which spans over all policy areas in order to achieve sustainable development in all three dimensions of development; economic, social and environmental (A/RES/70/1, 2015, p. 3). Besides the 17 development goals, the policies outlined in the Addis Ababa Action Agenda are integrated into the agenda and a climate agreement (COP21) (A/RES/70/1, 2015).

2.4. Sustainable development in Sweden

The Swedish Government has incorporated the Agenda 2030 in PGU and has a vast ambition to implement the 17 sustainable development goals of the 2030 agenda for
sustainable development in all sectors of Swedish politics (2015/16:182). It is also stated that Sweden should have a leading role in the international implementation. National and international implementation should be integrated and efforts to achieve one goal should not prevent the fulfillment of another goal (2015/16:182). The foundation for Swedish international development policies was created in the 1960s (Odén, 2006, pp. 71-68), and priorities between the Swedish development goals have varied since then. During the 1960s the focus was on economic growth, in the 1970s the priority was on distribution and independence, in the 1980s the importance of the environmental goal’s grew and in the 1990s, there was rather a greater focus on democratization and gender equality. The motives behind development, in both Swedish and international documents, are usually described as humanitarian and philanthropic. However, developmental work has always been influenced by more general motives of foreign policy (Odén, 2006, pp. 32 & 175). A significant national event for development was in 2003 when PGU was presented for the first time and the Government Bill “Shared Responsibility: Sweden's policy for Global Development” was handed over to the Swedish Parliament. The main theme of the Bill was policy coherence (i.e. that all policy areas should have a common objective or at least not oppose each other), and presented an inclusive policy for global development with a common objective for all policy areas in the Swedish politics. Its objective is to contribute to sustainable development and equity. Areas in which measures shall be devised to promote sustained global development include trade, agriculture, environment, security, migration and economic policy (Government Offices of Sweden, 2003).

3. Existing Research

Although a lot of research has been conducted on ECAs from an economic perspective, there is a lack of academic literature on the topic of ECAs and sustainable development. Therefore, this is an opportunity to explore an area that has not been sufficiently acknowledged in the past. This also makes it difficult to find relevant literature on the subject. However, Wagner (2017) discusses ECAs potential role in promoting corporate social responsibility. Further, there are non-academic studies conducted by NGOs that cover the subject of ECAs, human rights and sustainability.
Even though ECAs has received much criticism regarding environmental and human rights protection, Wagner (2017, p. 196) argues that ECAs can be used as a way of giving “teeth” to corporate social responsibility (CSR) provisions. According to Wagner, a potential solution for ineffective environmental and labor provisions is to encourage governments to require their respective ECAs to evaluate a company’s CSR commitment before giving them issuance of credit or insurance. Wagner argues that higher standards imposed on projects could help to encourage developing countries to strengthen their environmental standards (2017, pp. 213-216). If states were committed to sustainability it would show that the only way to remain competitive is not to keep the environmental and social regulations low, creating a “race to the bottom” among developing countries. Instead, it would demonstrate that corporations and companies would continue to do business with a more regulated state (Wagner, 2017, p. 220). ECAs have access to a company’s data, finances and intended project details and are therefore capable of determining a transaction’s impact. In addition, since ECAs are providing often essential financing to projects they could withhold these finances if the project would be too harmful to labor relations and/or to the environment. Wagner (2017, p. 221) concludes, “unlike international trade agreements that use weak language, export credit agencies can provide both the ‘carrot’ through financing, and the ‘stick’, through the denial of financing or the suspension of the loan dispersal for noncompliance”.

In June 2013, Amnesty International (2013, p. 3) published a report which provides a critical view of the United Kingdom’s export credit agency, the UK Export Finance (UKEF), and examines the approach of UKEF to addressing the human rights context of its activities (2013, p. 2). Amnesty International argues that the activities of UKEF reflect a failure of the government to fulfill the UK’s international human rights obligation and thus, not fulfilling the State’s “Duty to Protect”. Amnesty International finds that there are deficits in policy, transparency and accountability in UKEF’s activities (2013, p. 2). The main critique concerns the government’s abandonment of its Business Principles for UKEF to instead adopt the lowest level accepted in the OECD Common Approaches (2013, p. 11). According to Amnesty International, the Common Approaches standards are not adequate to assure that operations or projects supported by ECAs do not have negative impacts on human rights (2013, p. 9). However, it is argued that The Business Principles of UKEF have imposed a burden on UK exporters that are not imposed on their competitors in other OECD countries, and therefore the downgrading was justified. Amnesty International is
very critical to this explanation (2013, p. 14). Finally, Amnesty International argues that while the UK government is committed to implementing the UN Framework and Guiding Principles on Business and Human Rights, UKEF has moved in the opposite direction and reduced their human rights undertaking. In addition, they urge the government to become more coherent in aligning policies on business and human rights across departments to avoid the situation of incompatible departmental policies (2013, pp. 3&27).

Another study (FERN and ECA-Watch Europe, 2013, p. 3) examines the practice of ECAs in relation to issues such as accountability, transparency and more generally, their compliance with the EU’s objectives on external action. The member States of the EU have signed Article 21 of the Lisbon Treaty and are therefore, when acting abroad, required to adhere to the General Provisions on the Union’s External Action: “democracy, the rule of law, the universality and indivisibility of human rights and fundamental freedoms, respect for human dignity, the principles of equality and solidarity, and respect for the principles of the United Nations Charter and international law.” Further, in June 2012 the European Council of Foreign Affairs adopted a Strategic Framework and Action Plan on Human Rights and Democracy, which concerns all state bodies including ECAs. The main points of the Strategic Framework are the need to mainstream human rights throughout EU policy and to have coherent objectives (FERN and ECA-Watch Europe, 2013, p. 8). ECA-Watch is critical of existing regulations for ECA’s arguing that the regulations, which are mostly built on voluntary commitments (the OECD’s Common Approaches), fail to secure the objectives expressed through agreed EU policies (FERN and ECA-Watch Europe, 2013, p. 9). Further, two of the main concerns in the ECA-Watch report were the “lack of policy coherence for development” and the “lack of policy coherence with regards to the fight against climate change” (2013, p. 12).

In a third study, by the European Network on Debt and Development (Eurodad, 2011), it is shown that export credit guarantees are responsible for most developing countries’ debt owed to European governments. Eurodad argues that even though export guarantees can be an important strategy for developing countries while borrowing for investments that promote sustainable development, several case studies reveal that financial transactions guaranteed by ECAs have had damaging impacts on development, the environment and/or contributed to human rights abuses. Further, they argue that by using the tax money to repay loans with very contesting legitimacy, much needed resources get diverted away from
investing in social service and productive development projects. The report also shows that when creditor governments cancel developing countries’ debt, they use their aid budgets to cover the losses. This means that developmental aid gets transferred to finance ministries and ECAs in the host country instead of being used for poverty eradication in developing countries. In addition, Eurodad, as Amnesty International and ECA-Watch, criticizes the international standards for being weak, the lack of transparency and the lack of policy coherence for development (Eurodad, 2011). Governments fear that strong guidelines and regulations to protect the environment and human rights may harm business by creating a comparative advantage for ECAs that do not follow those guidelines. The need of creating a “level playing field” is used to justify low “responsible” finance standards (Eurodad, 2011).

4. Theoretical perspective

As a principle, theory is always incomplete in social sciences since arguably one theory is unable to grasp the complexities of a social phenomenon. However, different theoretical lenses will have insights and understandings to offer (Gray, Owen and Adams, 2010, p. 9). In the following I will outline the theoretical lens that I will use to analyze the results of my examination of EKN.

4.1. Legitimacy theory

Legitimacy theory has been widely used in research concerning CSR and social and environmental accounting (Deegan, 2002; Gray, Owen and Adams, 2010; Susith and Stewart, 2014; de Villiers and van Staden, 2006). The perspective embraced in legitimacy theory is that society, politics and economics are inseparable and economic issues cannot be meaningfully investigated without consideration about the political, social and institutional framework in which economic activity take place (Deegan, 2002, p. 292). Legitimacy theory argues that organizations continually attempt to ensure that they are perceived to be operating according to a value system that is corresponding with the norms and value system of its
respective society. In other words, they want to be perceived as legitimate by society (the “relevant publics”) (Archel et al., 2009, p. 1286; Gray, Owen and Adams, 2010, p. 28; Susith and Stewart, 2014, pp. 152-153).

A definition of legitimacy frequently used is Suchman’s (1995, p. 574), who defines legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions”. When disparity exists between two value systems, there is a threat to the entity's legitimacy. The idea of “legitimacy” can be connected to the concept of a “social contract” (Deegan, 2002, p. 295). Legitimacy theory implies that a “social contract” exists between an organization and its respective society (Susith and Stewart, 2014, p. 152). If society’s expectations are not met, society will revoke the organization’s “contract” (Deegan, 2002, p, 293). The terms of this contract could be partly explicit and consist of legal requirements, and partly implicit, consisting of the community’s expectations. Only when these expectations are met, does society allow the organization to continue its operation. Therefore, the level of legitimacy is of great importance for its continued survival (Susith and Stewart, 2014, p. 153). The theoretical construct of the “social contract” is not new and has been discussed by philosophers like John Locke (1632-1704) and Jean-Jacques Rousseau (1712-1778) (Deegan, 2002, p. 295). However, the terms of the social contract cannot be known with any precision and there will be different perceptions about its content (Deegan, 2002, p. 293).

Legitimacy theory has two principal variants. The first variant is concerned with the legitimacy of individual organizations, and there are many examples where organizations might want to close a so called “legitimacy gap”, i.e. when operations do not conform to the societal expectations or norms, for instance when if a company is involved in major oil spill or a charity are caught up in a financial scandal (Gray, Owen and Adams, 2010, p. 28; Susith and Stewart, 2014, p. 154). The second variant of legitimacy theory takes a wider perspective and has a base in Marxian thinking and raises questions about the legitimacy of the whole system (e.g. capitalism). For example, why it is acceptable for companies to act in ways that most people would find unacceptable in their private lives. Likewise, there are trends in sustainability disclosures that can be seen as attempts to maintain the public perception of the importance of a company, an industry and a system in the “creation” of “jobs” and “wealth” (Gray, Owen and Adams, 2010, p. 28; Susith and Stewart, 2014, p. 154).
There can be many threats to an organization’s legitimacy and therefore, organizations may employ strategies to counter those threats (Arachel et al., 2009; Gray, Owen and Adams, 2010; Susith and Stewart, 2014). Lindblom (1993) suggests four legitimization strategies: to “educate” its stakeholders; to change the stakeholders’ perceptions of the issue; to distract attention away from the issue of concern; or to change external expectations about its performance (Gray, Owen and Adams, 2010, p. 28). For instance, the general tendency to draw attention to strengths and emphasize the positive points of organizational behavior rather than the negative, may be explained as a legitimization strategy (Gray, Owen and Adams, 2010; Deegan, 2002). Another legitimization strategy can be to neglect or down-play information regarding negative implications of their operation, such as pollution (Deegan, 2002, p. 297). Legitimacy theory is not consistent with the idea that managers and others disclose information because people have the right-to-know about the organization’s behavior. Instead, if legitimacy strategies are successful in making the operation acceptable for the society, then these strategies can contribute to various groups within society to continue operations. Arguably, legitimizing strategies could hinder social progress. In addition, if the “responsible” only act when people have concerns that might threaten legitimacy, this also has an implication for regulation (Deegan, 2002, p. 298).

Deegan (2002, p. 296) states that there are several reasons why an organization might not be perceived as legitimate. For example community expectations may have changed, which has made behavior that was once acceptable, unacceptable. That is, legitimacy is a dynamic concept. Another reason can be that particular events have occurred which have impacted the reputation or legitimacy of the organization or the industry it relates to. How or whether “the responsible” reacts to perceived legitimacy gaps is based on their perception of how society views their operation, i.e. whether they believe there is a legitimacy gap in the first place. If they do perceive a legitimacy gap, it is necessary to communicate their legitimization actions to change perceptions. If information is not publicized for the relevant public to see, there will be no changing of perceptions. This perspective highlights the strategic importance and power of disclosures, such as those made with e.g. annual reports and other official documents (Deegan, 2002).

Legitimacy theory has a close relationship with both Institutional theory and Stakeholder theory (Gray, Owen and Adams, 2010, p. 27). Further, the concept of legitimacy has a
major impact on many organizational theories, including Resource Dependency theory and Organizational Ecology (Deephouse and Carter, 2005, p. 329). Deegan (2002, p. 298) argues that legitimacy theory can provide useful insights, but criticizes it to be an under-developed theory and that there are many “gaps” in the legitimacy theory literature. However, these limitations have not restricted the application of legitimacy theory in CSR studies and a growing number of studies provide evidence in support of legitimacy theory (Fernando and Lawrence, 2014).

5. Methodology

This study will be conducted as a case study with secondary sources as empirical foundation. The research material used is gathered from academic books and articles, newspaper articles, websites and reports from EKN, NGO’s and International organizations. With a case study it is possible to make a detailed and intensive analysis of a single case since it is concerned with the complexity of the case in question (Bryman, 2012, p. 66). According to George and Bennett (2005, p. 19), case studies have many identified strengths. Amongst the strengths are conceptual validity and their ability to address causal complexity. As explained by Rohlfing (2012, p. 1), case studies can be understood as case-centered or theory-centered. This study has primarily a case-centered approach, which means that theory is used as an instrument to explain a single case. A consequence of using a case-centered approach is that the explanation formulated for the case cannot be generalized to other cases (Rohlfing, 2012, p. 2). However, as advocates of case studies also have argued, the purpose of this research design is not to generalize to other cases (Bryman, 2012, p. 71). Instead, it is meant to contribute to the literature on the subject and to open up to further research.

In order to examine in which principal ways EKN’s policy objectives are compatible and incompatible with Sweden’s policies for global development, literature on EKN’s operations have been examined and compared to the 17 goals of Agenda 2030. These are used since PGU follows the aforementioned goals. The data used about EKN’s operation are their annual report for 2016 and their report “EKN’s implementation of Agenda 2030” from 2016. Finally, I will analyze the findings of my study with legitimacy theory as my theoretical lens.
5.1. Delimitations of the study

The empirical material in this study regarding EKN is limited to archive research since other types of methods and data have been considered beyond the scope of this thesis. All written documents have a purpose; they are written for an audience in order to accomplish something (Bryman, 2008). Thus, the material used in this thesis may be biased in EKN’s favor. To counteract this potential bias, the material will be analyzed critically with this in mind. However, I would argue that the material gives a good overview of EKN’s operations and is sufficient for answering the research question. In addition, since the empirical material provides much information, I use what I regard as relevant for the thesis, and the view presented is my interpretation of the material. Since everybody has biases, my presumption about the subject may have influenced the results. However, by being aware of and reflecting on these presumptions, I do believe that the results have not been affected in any significant way. Furthermore, since there is limited academic literature on ECA’s and sustainable development, I have used reports from NGOs and other organizations that may be biased in the interest of the respective organization. However, I argue that these reports provide important perspectives relevant for the thesis.

6. Analysis

EKN’s main goal is to promote Swedish exports by issuing guarantees (Ministry for Foreign Affairs, 2016, p. 1). However, EKN shall, within the framework of its own operations, contribute to the implementation of PGU (Ministry for Foreign Affairs, 2016, p. 2). In this section, I will first outline in which principal ways the policy objectives of EKN are compatible with PGU, thereafter I will outline in principal which ways the policies of EKN are incompatible with PGU, and finally I will use legitimacy theory to analyze the results.
6.1. Compatibilities with Sweden’s Policy for Global Development

The Agenda 2030 acknowledges the important role of the private market in the realization of the goals (A/RES/70/1, 2015, p. 8) and EKN (2016a, p. 3), states that since EKN is a complement to the market, its guarantees contribute to organize the private sectors possibilities to manage export transactions in a sustainable way. This is in accordance with Wagner (2017) who argues that in an era of free trade many developing countries believe that the only way to be competitive is to keep social and environmental regulation low, creating a “race to the bottom” among developing countries. However, she argues, that if ECAs require social responsibility before issuing guarantees, ECAs commitment to sustainability can help developing nations to develop better social and environmental standards. Therefore, since EKN follows the OECD international standards, to some extent, there is compliance with Goal 8. “Promote sustained, inclusive and sustainable economic growth” (A/RES/70/1, 2015, p. 14). In addition, EKN’s operation complies with PGU by the contribution of economic growth through export revenues and through job creation in the exporting corporations (see Goal 8 in Appendix) (EKN, 2016a, p. 3).

According to EKN, their financing can have many positive effects in the receiving country, effects which are connected to the goals in agenda 2030. For instance (EKN, 2016a, pp. 3-4):

1. Increased access to finance for states and companies, especially for small- and medium-sized enterprises that have limited access to capital (Goal 9, 13 and 17).
2. Increased investments that lead to increased productivity, competitiveness, economic growth and job creation (Goal 8, and 9).
3. Technology transfer and/or knowledge development to manage advanced technology (Goal 9).
4. Sustainable investments in sectors with particularly important social benefits such as ICT, transport and construction, energy, and food production, etc. (Goal 2, 7, 9 and 11).
5. Reduced climate impact through the use of environmental technology or financing of projects that have positive climate impact (Goal 13).
6. Environmental and social improvements at the purchasing enterprise thanks to
By enabling the financing of Swedish exports of goods and services, EKN indirectly contributes to the development of different sectors in the receiving countries. Some of these sectors are Telecom, Transport and Construction, Bank and Finance and Power (EKN, 2016a, p. 4).

### 6.1.1. ICT-industry/telecom

During the last five years EKN has contributed to investments amounting to approximately 86 billion SEK in Telecom or the Information and Communication Technology (ICT) industry (EKN, 2016a, p. 5). ICT is an overarching term for the numerous digital technologies used for manipulating information such as mobile phones and computers (Goswami, 2014, p. 129). According to Goswami (2014, pp. 129-131) the ICT industry has vast economic benefits and is important for a more socially sustainable future since it improves the way societies and governments provide healthcare, education, and services to citizens. Further, he argues that ICT can optimize existing services for saving resources and increase efficiency in existing systems such as transportation, housing and cities.

### 6.1.2. Transport and construction sector

Another sector that has received much support from EKN is the transport and construction sector. During the last five years, EKN has financed around 30 billion SEK in transport related infrastructure and machines. This includes, for example, road and railroad construction, Bus Rapid Transport projects and truck fleet investments (EKN, 2016a, p. 5). The Bus Rapid Transit projects aim to increase safety, accessibility and sustainability in local traffic (EKN, 2016a, p. 10). According to OECD (2006), well-developed economies require an efficient transport system. Improvements in transport infrastructure have facilitated the expansion of trade, which usually creates growth in the economy. It also creates access to, for example, work, and healthcare and an increasing share of employment and income (OECD, 2006, p. 22). However, OECD (2006 p. 44) also states that transport activity causes large adverse impacts on the environment, human health and the economy. Therefore, efficient transports are central for decreasing climate impact.
6.1.3. Bank and finance
Over the last five years, EKN has financed transactions with banks as risk assets worth 13 billion SEK. EKN also helps Swedish export companies to take on larger deals by covering contractual guarantees. In this way, EKN contributes to the financial system and plays an important role in facilitating trade (EKN, 2016a, pp. 5-6). This agrees with the idea that economic growth is the solution for all economic and social problems, a market liberal view that became strong in 1980s, with Western governments joining on the same market-based means to achieve economic growth (Archel et al., 2009, p. 1288). The market liberal view pays little attention to the distribution of wealth, and assumes the market will distribute wealth in an unbiased matter, through so-called “trickle-down” (Ferraro, 2008, p. 63). The trickle-down theory has been greatly criticized, especially from advocates of dependency theory who argues that the market alone is not a sufficient distributive mechanism. However, more recently the development community has shifted from promoting "any" economic growth to achieve "shared growth". This means growth with a maximum payoff in terms of poverty reduction. The increasing focus on the importance of shared growth has been supported by research about the heterogeneity in the poverty-growth relationship all over the world (Dzator and Chen, 2015, p. 2). Therefore, in this view “facilitating trade” does not say anything about the promotion of sustained, inclusive and sustainable economic growth that is part of goal 8 in the Agenda 2030. However, depending on what kind of trade is facilitated and how the revenues of trade are distributed, it is in compliance with the Agenda 2030.

6.1.4. Power
EKN has also provided funding for power generation, transmission and distribution to a value of 11 billion SEK over the past five years. For example, one of the most important areas for Swedish export in power transmission is Ultra High Voltage Direct Current (UHVDC), where ABB is world-leading. This type of solution is often used to transport large amounts of electricity long distances with low power loss. In India, where hydropower replaced fossilized power plants, an EKN guaranteed project has reduced emissions by more than 8 million tonnes of carbon dioxide over the last 30 years (EKN, 2016a, p. 8). Dorn, Gambach and Retzmann (2012) suggest that the UHVDC transmission is the key technology to create ”greener power” and limit CO2 emissions. Therefore, there is, in some operations, compliance with Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all.
EKN states that EKN’s biggest impact on development and the Agenda 2030 is indirect, through the effects of the business of EKN guarantees. EKN is a market complement and is able to cover financial risks that the private actors do not have the capacity to cover. This means, for example, that electricity generation, telecom development, and environmental technology projects, that would not be able to be carried out due to lack of risk capacity, can be done with EKN’s guarantees. The direct impact consists of the sustainability requirements that EKN imposes on buyers of Swedish exports, in order to guarantee loans. The requirement is that purchasing companies should comply with international standards regarding human rights and social and environmental conditions, where the purchased equipment is to be used (EKN, 2016b, p. 35).

6.2. Incompatibilities with Sweden’s Policy for Global Development

In accordance with the international standards for ECA issued by OECD (2016) EKN estimates whether there are risks of adverse impact on people and the environment in the activities where the exported product or service is to be used. EKN demands sustainable and responsible handling of risks (EKN, 2016b, p. 22). The international standards apply to all types of officially supported export credits for exports of capital goods and/or services except exports of military equipment or agricultural commodities (OECD, 2016, p. 5). As the international guidelines propose (OECD, 2016), EKN classifies deals into three categories: category A if the deal has the potential to have significant adverse environmental and/or social impacts, category B if there is a risk for some environmental and/or social impacts and C if there is a small or no impact (EKN, 2016b, p. 22).

Of the 1821 deals that were guaranteed by EKN in 2016 (EKN, 2017), 9 were categorized as A, 763 were categorized as B and 674 were categorized as C. The guarantees for projects and deals categorized as A were worth 1,9 billion SEK, and as B were worth 17 billion SEK. This means that only in 2016, EKN guaranteed 772 deals where there existed risks for environmental or social impact. It is stated in in the Common Approaches that deals classified as A have to be reported to OECD, however, this only applies to projects and deals exceeding 100 million SEK and when the deadline for the credit repayment exceed two years (OECD, 2016). Examples of deals classified as category A but not reported to the
OECD, are two deals worth of 228 million SEK. One deal had risks regarding violation of personal integrity and free speech and the other deal had risks of illegal deprivation of freedom and civil victims as a result of counterterrorism. Lastly, three deals were made with guarantees worth of 28.6 million SEK where one had a great risk for biodiversity damage in forest plantation and the other two had risks for the water environment and the social impacts for immigrant workers (EKN, 2016b, pp. 22-23).

6.2.1. ICT-industry/telecom
As argued, the ICT sector is important for sustainable development and creates opportunities for improved services and better functioning societies. However, the ICT industry is vast and its products and services are needed in many different areas in society. This means that EKN’s support for the ICT sector does not automatically mean that it complies with the goals of Agenda 2030. For example, in the annual report for 2016, it is stated that EKN has guaranteed two very large telecom deals, one with the United States and the other one with Spain. These large telecom deals have limited compliance with the Agenda 2030. EKN (2016b, p. 18) also states that since Ericsson (the seller), has a strong position in the world market, EKN’s guarantees are largely about telecom, year after year. Telecom, IT, and media continue to grow and the market focuses on the digitization with 5G cloud-based services and “Internet of Things”, a trend that is strongest in high-income countries. Arguably, there are issues more relevant for Agenda 2030 than 5G cloud-based services in high-income countries. Further, IT is used in various sectors and is e.g. necessary for the arms industry. For example, in 2000, Ericsson sold military radar systems to Greece, an affair that created much attention because of alleged corruption in the deal (SR, 2014).

6.2.2. Power
The world needs electricity and EKN has had a continuing high demand for guarantees for electricity transmission. However, according to EKN (2016b, p. 19), the negative economic development in several African countries has made the financing and lending structures more difficult and complex. Instead, one of the deals EKN guaranteed during 2016 was an electricity transmission link between Norway and the United Kingdom. Again, guarantees are given for projects in high-income countries and not to developing countries.
6.2.3. Debt
Since EKN guarantees deals and projects in many countries all over the world, some countries find themselves indebted to EKN. During 2016, Cuba started to pay off their debt to EKN. A deal was made with Cuba stating that the country shall repay their debt in an 18-year timeframe (EKN, 2016b, p. 29). The report from Eurodad (2012) describes how ECAs are responsible for most developing countries’ debt owed to European governments. Eurodad (2012) argues that by using the tax money to repay loans that might be made for projects with very contested legitimacy, much needed resources get diverted away from investing in social service and productive development projects. Therefore, countries can get indebted for projects that do not comply with Agenda 2030. If this is the case, projects are not only incompatible with Agenda 2030 but actually undermine the same since money gets diverted from social welfare to repay debt.

6.2.4. Arms trade
Even though EKN supports many different industries, two stand out. The telecom and arms trade industry make together up around 60 per cent of all EKN outstanding guarantees in 2016. Arms trade account for approximately 30 per cent of all outstanding guarantees. After a vast deal called the “Gripen-deal” between Saab and Brazil, arms trade became a greater sector for EKN. However, arms trade has accounted for around 20-25 per cent of outstanding guarantees in the past (EKN, 2016b, p. 27), so a great part of the guarantees are usually going to the arms trade. Arms trade deals are usually very large and extend for a long time. There are aspects in arms trade that increase risks and make export credit particularly important. Saab’s sale of Jas Gripen (a fighter aircraft) to Brazil is the greatest deal EKN has guaranteed ever. Prior to that, Saab’s sale to South Africa was the greatest deal. In 2015, the “Gripen-deal” accounted for 65 per cent of EKN's total guarantees. The order had a value of 39.3 billion SEK and EKN guaranteed the entire amount including interest, a total of 50.6 billion SEK (Åkerström, 2016, p. 202). The delivery of Jas Gripen will begin in 2019 and continue until 2024. Brazil’s economy was strong when the deal was made in 2013, however the country’s economic situation has changed since then (TT, 2015). Between 2000 and 2010, Brazil had a significant economic growth and military spending increased. The economy started to descend in 2013 and due to this, several military projects were delayed due to lack of funds. In addition to poor economic performance, there has been political turmoil because of corruption schemes. Therefore, Brazil has both a political and economic crisis. The Brazilian president promised in 2016 to cut public spending and resume economic growth (da
There are many aspects about arms trade that do not comply with the Agenda 2030. One example is the high level of corruption in arms trade deals. Because of the lack of transparency in the arms trade, and a high complexity of administrative processes, the risk of corruption is high (Platzgummer, 2013, p. 17). Studies have found that corruption in arms trade contributes about 40 per cent to all corruption in global transactions. Corruption is widespread in purchasing and selling countries, undermining democratic institutions of accountability. It diverts important resources away from the human population and social needs towards corrupt ends. There are two main systematic features of arms trade that encourage corruption. Firstly, it is the deep link to matters of national security that weaken the transparency and the accountability of the deals. Secondly, because of its connection with national security there is a blurred line between the state and the industry, which is fostering an attitude that demote legal concerns (Feinstein, Holden, and Pace, 2011). Since EKN is a governmental agency, the lack of transparency in arms trade is questionable. Governments are involved financially and have financial incentives, however, they are also the ones supposed to control arms trade deals. Thus, government’s credibility as independent supervisors is weak. For instance, Sjögren (2010) describes how the contact between EKN and Saab rest on a “relationship capital”. According to Leif Kempe (cited in Sjögren, 2010, p. 227) EKN has become a partner for Saab as any other partner. EKN’s officials are participating in Saab’s business meetings and are feeling included in Saab’s operation.

A sub-goal in Agenda 2030 is Goal 8.3 *Promote development-oriented policies that support productive activities*. Arms trade does not support productive activities instead it might support unproductive activities, which opposes the Agenda 2030. Further, arms deals are often high-value deals, and divert essential resources away from human development needs in the receiving countries (Devoto and Guerra, 2015, p. 135). For instance, since Brazil is cutting public spending to achieve economic growth (da Silva, 2017), military expenditures such as the “Gripen deal” may come at the expense of other areas. Further, as stated by EKN (2016a, p. 4), EKN indirectly contributes to the development of different sectors in the receiving countries (EKN, 2016a, p. 4). Thus, since a major part of all EKN’s guarantees goes to the arms industry, EKN is also a vast contributor to the development of the arms industry. In addition, in a written communication (2015/16:182, p. 50) the Swedish
Government points out that there is a goal- and interest conflict between its policies for global development and Swedish arms trade. Furthermore, it states that Swedish arms trade risks to undermine PGU’s goals of contributing to a fair and sustainable global development.

As discussed above, international standards do not apply to military equipment (OECD, 2016, p. 5). This is because military equipment is included in the “security exception” which is an exception from otherwise applicable trade obligations. Therefore, the arms industry can be seen as operating outside the free market. The “security exception” can be found in the General Agreement on Tariffs and Trade in 1947 but also in similar provisions texts (Bonnan, 2010, p. 3). National defense industries are considered to be too important for security, sovereignty and international policy to be subjected to trade obligation. Therefore, most issues considered arms trade are decided on a national level. The ethical guidelines that are included in other trade agreements do not apply to the arms trade. Further, the defense sector can be subsidized freely by governments, which create an investment opportunity for governments when the aim is to create jobs an innovative technology (ENAAT, 2007, p. 8).

6.2.5. Climate change
EKN, (2016a, p. 10) regards their work to take urgent action to combat climate change and its impacts (Goal 13) as not enough. According to Yearly (1996, p. 67), pollution and other kinds of environmental harm are connected with the global economy of production, trade and regulation. The vast majority of environmental harm arises from economic activities, power generations, mining operations, travels and agricultural enterprises. These are industries which are supported by EKN.

Finally, EKN (2016a) states that, by enabling the financing of Swedish exports of goods and services, EKN indirectly contributes to the development of different sectors in the receiving countries. However, one may argue the opposite. Swedish companies can take risks because they are protected by EKN, risks that other companies from countries without ECAs cannot take. Since the majority of ECAs are Western “developed” states (OECD, 2017a), developed countries get an advantage that other countries without an ECA do not have, which actually makes it more difficult for developing countries to achieve economic growth and develop different sectors.
To summarize this section, EKN’s policies are compatible with PGU by guaranteeing deals and facilitating sustainable investments in sectors with important social benefits such as ICT, transport and construction, energy, and food production. However, EKN’s policies are incompatible with PGU by guaranteeing deals and facilitating investments in sectors and in countries that do not have social or environmental benefits. For example, arms trade and A- and B-classified projects. Further, the creation of debt is not in line with Agenda 2030. As shown, there are incompatibilities between the policies of EKN and PGU. However, arguably there are also inherent incompatibilities in the goals of PGU (or Agenda 2030). Yearly (1996, p. 80) argues that the “global policies” such as the Agenda 2030, have been perceived as attempts by the Western countries to solve their own problems at the expense of the “developing” countries. For instance, some argue that the Western countries have enjoyed 200 years of wealth based on carbon emissions, and now it is the South’s turn. Therefore, regulations of carbon emission levels might restrict development of developing countries. According to this view, the environmental goals of Agenda 2030 are incompatible with the goals of development of developing countries, including e.g. poverty reduction.

6.3. Legitimacy theory and EKN

EKN’s primary goal is to promote Swedish exports by issuing guarantees (Ministry for Foreign Affairs, 2016, p. 1). Therefore, the greatest concern for EKN is not global development, but economic growth for Sweden. In order for the state to achieve economic growth at the macro level, there must be an accumulation of capital at the organizational level. It is an ideological congruence between the state’s policy objectives of economic growth and the corporate-level objectives of profit maximization. Therefore, it is important for governments that companies continue to make a profit (Archel et al., 2009, p. 1288). As showed by the results of this study, there is a substantial part of EKN’s operation which do not comply with PGU. In accordance with legitimacy theory (Deegan, 2002; Gray, Owen and Adams, 2010; Susith and Stewart, 2014) the incompatibilities between the policy objectives of EKN and the goals of PGU can be seen as a breach of the “social contract” and creating a “legitimacy gap” since it does not conform to the societal expectations or norms. In order to close the “legitimacy gap” one could argue that EKN has used different legitimation strategies.
to legitimize the incompatibilities between the policies.

By applying legitimacy theory, one can identify many legitimation strategies where EKN is referring to the legitimacy of the “whole system” or capitalism and thereby makes it acceptable for them to act in ways that most people would find unacceptable in their private lives. In addition, they maintain the public perception that their operations are important for the creation of jobs and wealth. For example, the vast support for arms trade.

6.3.1. Increased competition
In the annual report for 2016 (EKN, p. 6) it is stated that the future conditions for global trade have become increasingly uncertain, that several political events may have affected global trade patterns and that the trend towards increased trade liberalization has ceased. At the same time, global value chains lead to increased interdependence. They continue by describing that the rate of growth in world trade in goods and services has decreased, and that this has affected Sweden, since it is an export dependent country (EKN, 2016b, p. 6). Therefore, Swedish exporters face increased competition. Using legitimacy theory, one could argue that EKN uses the information about the increased competition, as a way to legitimatize “business as usual”.

6.3.2. “Logic of the market”
The different regulations and guidelines on ECA’s including the Common Approaches (OECD, 2016), and the Arrangement (OECD, 2017b) emphasize the importance of a leveled playing field where the supply and demands decide prices. In line with this, EKN (2016a, p. 6) argues that since the demand for EKN’s guarantees depends on where demand for Swedish goods and services exist, if buyers want financing, and if the exporter/bank wants to use EKN’s guarantees, EKN cannot affect which companies or deals are supported by guarantees. Yearly (1996) argues that the modern economy generation of environmental problems on a global scale are linked with the way that pricing works in a free-market economy. The “logic of the market” is that the free market leads to the optimal use of goods and services because prices respond to the availability and demand. Environmentalists usually argue that the free-market system leads to a “race of the bottom” and provides a systematic incentive to companies to lower their costs by causing pollution or having low working standards (Slater, 2015). This means that the “logic of the market” inclines
companies to pollute. Therefore, the emphasizing on a “leveled playing field” and the “logic of the market” legitimizes not having more regulations than other countries.

6.3.3. Main goal
One legitimation strategy identified in EKN (2016a, p. 10) is the statement that they are taking measures that are “considered sufficient in relation to EKN’s mission, prerequisites and mandate”. Since their main mission is to promote Swedish exports, their goal to contribute to PGU (EKN, 2016b, p. 11) is secondary. This legitimation strategy works on two levels. First it is concerned with the legitimacy of the individual organization by stating that they are following their main goal. Second, their main goal is legitimized by the legitimation of the “whole system”.

6.3.4. International standards
Another legitimation strategy identified in EKN (2016a) and EKN (2016b) is the continuous referring to “international standards”. The idea is that as long as EKN follows international standards they operate in a legitimate way. However, the international standards have been criticized for being weak and insufficient by organizations as Amnesty International (2013), ECA-Watch (2013) and Eurodad (2011). Arguably, the referring to “international standards” does not say much about the actual social and environmental work, but it does legitimize their operation since “the public” trusts those standards. In addition, the arms trade is excluded in the international standards, although this is not stated in the annual report (EKN, 2016b). How arms trade is regulated is not mentioned in the report at all, which gives the expression that it follows the same standards as other products and services.

6.3.5. Positive behavior
Gray, Owen and Adams (2010) claim that the general tendency to draw attention to strengths and emphasize the positive points of organizational behavior rather than the negative, may be explained as a legitimation strategy. Deegan (2002) also describes another legitimation strategy, which is to sometimes neglect or down-play information regarding negative implications of an organization’s operation. Both of these strategies can be found in EKN’s communication about their operations. For instance, in EKN’s report (2016, p. 4), they make it look as though the largest sectors receiving EKN’s guarantees during the last five years are telecom, transport and construction, bank and finance, and power. However,
as stated in the annual report (EKN, 2016b), arms trade is one of the sectors receiving the greatest number and sizes of guarantees, but arms trade is not even mentioned. Further, a great part of the report contains a description about why telecom, transport and construction, bank and finance, and power are so important sectors for development, although much of that information is not relevant for EKN’s actual operations. An example of this is when EKN (2016a, p. 6), describes how the correlation is strong between electricity consumption and income levels and that increased electricity consumption has a strong relation to reduced extreme poverty. Further it states that access and use of electricity have a correlation with many developmental aspects such as maternal mortality, longevity, literacy and girls who complete elementary schooling. Although in the annual report (EKN, 2016b) it is shown that a vast power investment is a power transmission link between Norway and United Kingdom. Arguably, this has nothing to do with the reduction of extreme poverty or maternal mortality in developing countries. Thus, EKN draws attention to (and arguably exacerbating) the positive points while neglecting the negative aspects. It becomes a problem when they only include the deals that comply with the Agenda 2030 but excludes the ones that do not comply.

Moreover, Deegan (2002) emphasizes that how or whether “the responsible” reacts to perceived legitimacy gaps is based on their perception of how society views their operation, i.e. whether they believe there is a legitimacy gap in the first place. Using this viewpoint, by following the legitimation strategies of EKN it is possible to discover where EKN themselves believes there exist legitimacy gaps. Arguably, EKN is very much aware of incompatibilities with PGU.

7. Ending discussion

This research overview sets out to explore in which principal ways EKN’s policy objectives are compatible and incompatible with PGU. In the context of globalization and cross-border trade export agencies are of great significance when it comes to sustainable development. My conclusion is that EKN’s policy objectives are compatible with PGU through the facilitating of sustainable investments in sectors with important social benefits such as ICT,
transport and construction, power, and food production. Further, EKN does follow international standards. There have also been instances when EKN has declined to guarantee projects because of great risks for the environment and human rights.

However, there are also aspects in EKN’s policy objectives that are incompatible with PGU. For instance, EKN has guaranteed deals and facilitated investments in sectors that do not have social or environmental benefits, e.g. arms trade and A- and B-classified projects. EKN does follow international standards, but these standards have been criticized by NGOs for being weak and having gaps when it comes to human rights and environmental protection (Amnesty International, 2013; ECA-Watch, 2013; Eurodad, 2011). By using legitimacy theory as a theoretical perspective, the thesis has demonstrated how the incompatibilities (or “legitimacy gaps”) can be perceived as legitimized by the use of different strategies, which contributes to a further understanding of the case. Nevertheless, the case is complex and legitimacy theory (as arguably all theories) is not capable of explaining the phenomenon fully but gives interesting insights.

In the context of economic globalization and the desire for “a leveled playing field”, international trading agreements and international standards make it difficult for states to have independent economic policies. Yearly (2016) argues that due to the increasing power of companies and their “stateless” character, governments run a risk of being “outflanked”. Therefore, if governments have strict regulations, there is a risk that capital moves somewhere else where regulations are lower. However, Burnell (2008, p. 30) suggests that the answer is not trying to reverse the course of globalization, but to use policy instruments in an intelligent way to optimize its effect and to reduce the harmful consequences. In line with Wagner (2017) I argue that EKN and ECAs can be an important instrument for development and development finance since they have a unique possibility to withhold finances if project are being too harmful to labor relations or to the environment. Further, they have the possibility to support certain sectors that contribute to sustainable development and Agenda 2030. With that being said, the Common Approaches (2016) states that the primary role of ECAs is to promote trade in a competitive environment, and not to provide development assistance. Therefore, one could argue that EKN does exactly what it is set out to do. However, in order for Sweden’s government to implement the 17 sustainable development goals of the 2030 agenda for sustainable development in all sectors of Swedish politics, EKN’s policy should comply with those goals. No matter the
competition or what the international standards require. I would argue that it is important that governments do not promise more than what they are willing to do and create policies that actually are compatible. However, a problem with ECAs is that they, and their role, are usually unknown to the public. Thus, if the public does not know that they exist, or understand what they are doing, they can work quietly without anyone knowing that they are actually breaking the “social contract”.

Finally, ECAs are greatly connected to globalization and the global society. ECAs are particularly interesting because of their special role as hybrids of the state and the market. There are several further issues that need more investigation regarding ECAs and sustainable development. For example, both Eurodad (2011) and ECA-watch (2013) discuss the vast debt-burden ECAs put on governments. It would also be interesting to investigate project evaluations and companies who acquire support from EKN in more detail. Regardless, ECAs play significant roles in the context of economic globalization and what industries they choose to support are of great importance for global development.
8. References


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9. Appendices

Sustainable Development Goals

Goal 1. End poverty in all its forms everywhere

Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Goal 3. Ensure healthy lives and promote well-being for all at all ages

Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Goal 5. Achieve gender equality and empower all women and girls

Goal 6. Ensure availability and sustainable management of water and sanitation for all

Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all

Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Goal 10. Reduce inequality within and among countries

Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable

Goal 12. Ensure sustainable consumption and production patterns

Goal 13. Take urgent action to combat climate change and its impacts

Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development

Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Goal 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

*Acknowledging that the United Nations Framework Convention on Climate Change is the primary international, intergovernmental forum for negotiating the global response to climate change.

(A/RES/70/1, 2015, p. 14)