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Karl SOUKUP  
Head of Unit  
Markets and cases III: Financial services  
State aids II,  
DG Competition  
European Commission  
Brussels  
BELGIUM

2 March 2011

Ref: COMP D3-D5/KK/AP/mi – 2011/11689  
Guaranteed Export Finance Corporation Ltd

Dear Mr Soukup

**Ref: CP 80/2010 - Complaint against the UK export credit scheme**

Thank you for letter of 4 February 2011.

1. We note that ECGD has disclosed to DG Competition, but not to us, the terms of its contracts with GEFCO and that, in DG Competition's view, these contracts forbid GEFCO from carrying out any other economic activity for as long as it receives any support from ECGD.

2. On the basis of the above, DG Competition concludes that the state aid rules do not apply since GEFCO “is not an entity engaged in any economic activity defined as offering goods and services in the market”.
3. We regret that ECGD’s contracts with GEFCO have not been disclosed to us and question the procedural fairness of this decision. However, if the contract does provide as you say, GEFCO would indeed not meet the definition of a relevant entity under the State Aid rules and on this understanding we do not seek to pursue this complaint further.
4. We thank you for clarifying the cumulative criteria that must be satisfied before a measure constitutes state aid. In view of your explanation it seems that we erred in citing GEFCO as the beneficiary of state aid provided by the ECGD. Rather our complaint should have been directed at the companies that received support under ECGD’s Fixed Rate Export Finance scheme.
5. In our view FREF is an illegal subsidy under WTO rules, and thus illegal under EU state aid rules, because of ECGD’s use of GEFCO as an off balance sheet vehicle for refinancing FREF loans. Accordingly we shall shortly be submitting a new complaint, on this basis.

Yours Sincerely

A handwritten signature in blue ink, reading "Nicholas Hildyard", enclosed in a thin blue rectangular border.

Nicholas Hildyard

The Corner House

A handwritten signature in black ink, reading "Ann Feltham".

Ann Feltham

Campaign Against Arms Trade