



INTERNATIONAL COOPERATION

THE FEDERAL GOVERNMENT USES ITS INFLUENCE IN THE COMMITTEES OF THE EU AND THE OECD TO SECURE A LEVEL PLAYING FIELD FOR GERMAN EXPORTERS INTERNATIONALLY.



THE STATE EXPORT CREDIT INSURERS SEE A PARTICULAR CHALLENGE IN THE CONSEQUENCES OF THE FINANCIAL CRISIS. THEY HAVE DEVOTED INTENSIVE THOUGHT TO FINDING WAYS IN WHICH THEY CAN CONTRIBUTE TO OVERCOMING THE CRISIS AND

HAVE AFFIRMED THEIR INTENTION TO MAKE THE NECESSARY FUNDS AVAILABLE TO SAFEGUARD INTERNATIONAL TRADE FLOWS. THE EU COMMISSION AGREED TO MORE FLEXIBLE HANDLING OF THE “ESCAPE CLAUSE” ON MARKETABLE RISKS AT THE END OF 2008 AS WELL AS MAKING IT EASIER TO GRANT COVER FOR EXPORT BUSINESS ON SHORT PAYMENT TERMS TO CORE OECD COUNTRIES AND THE COUNTRIES OF THE EU ON CERTAIN CONDITIONS.

DEVELOPMENTS IN THE OECD

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The **OECD CONSENSUS GROUP** adopted a new mandate for the **PREMIA GROUP** in 2008. The Group's activities are intended to achieve progress in two fields: on the one hand in the harmonization of premium rates for commercial risks, on the other in carrying out a review of the existing minimum premia for political risks. Harmonization of minimum premium rates up to now within the OECD has only applied to political risks, for which uniform rates have been charged since 1999. The divergent systems of export promotion in the member states present a major challenge in the negotiations to reach an extensively harmonized premium system.

The **OECD CONSENSUS GROUP** and the **OECD EXPORT CREDIT GROUP** held intensive discussions on the consequences of the financial crisis and ways in which the state export credit insurers can contribute to overcoming it. In this context the OECD member countries as well as China, Indonesia, Brazil, Israel, Estonia, Romania and Slovenia reaffirmed their determination to make the necessary capacity available in future too to support the granting of export credits. This pledge should be seen in connection with the declaration of the G20 at their Washington summit that they would continue to ensure that emerging markets and developing countries had access to finance.

Furthermore the member countries of the OECD Consensus have agreed to only allocate the OECD High Income Countries to Consensus Category I in future. This will make it possible to plan longer credit horizons for a large number of countries when granting cover for medium and long-term business (10 years instead of 8.5 years).

In addition, against the background of the financial crisis the member states have decided to increase the permissible share of state export credit insurers in project finance deals in OECD High Income Countries. This measure, which is being introduced for one year only, can also help to mitigate the effects of a lack of liquidity in the private market.

The **GROUP OF COUNTRY RISK EXPERTS** continued to meet in its quarterly rhythm in 2008, reviewing all country classifications worldwide. Starting in 2008, all the Sub-Saharan countries of Africa are dealt with in a single meeting which takes place in October. The classifications of the countries of Europe, the CIS and North Africa are reviewed in January, the country risks in Asia and the Middle East in spring. In summer each year, the country classifications for Latin America and the Caribbean occupy the agenda.

EUROPEAN UNION

The **EU COUNCIL WORKING GROUP** on the coordination of policy in the field of credit insurance, bonding and loans once again played an important role in 2008, especially in coordinating the positions taken by the EU on issues discussed in the OECD. These negotiations on new developments in the OECD Consensus and its various sector agreements are part of the common trade policy of the EU. It is the aim of the consultations in Brussels to give the Commission a mandate for these negotiations.

Over and above this, the EU Council Working Group provides an important forum for a constructive and transparent exchange of views concerning the measures taken by the member states in the field of officially-supported export finance and export credit insurance to mitigate the impact of the financial crisis for their exporters.

Against the backdrop of the financial crisis, the issue of **MARKETABLE RISKS** is once again the focus of discussion at European, but also at national level. The Commission paper on short-term business has set a clear demarcation line between the activities of state export credit insurers and the private insurance market since 1997. Commercial and political risks in the EU countries and the core countries of the OECD with a risk

horizon of up to two years are exclusively the province of the private insurance market. Since it is becoming more difficult for individual exporters to obtain sufficient cover from the private market in the context of the financial crisis, however, the Commission agreed to a more flexible use of the escape clause contained in the Commission Paper. The shortfall in private cover can now be filled by state export credit guarantee if the necessity can be proved. This is in particular the case if it is confirmed by one international (not two, as up to now) and one national credit insurer that no cover is available on the private export credit insurance market. In addition, if four exporters can provide evidence that there is no private cover forthcoming on a specific, nominally marketable country, the Federal Government can apply to the EU Commission for permission to grant cover accordingly. This exceptional rule is valid for a limited period till the end of 2010.

BERNE UNION

The International Union of Credit & Investment Insurers, generally known as the Berne Union (BU) has set itself the task of promoting long-term international trade as well as cross-border investment projects. Besides working towards the recognition of internationally valid rules to prevent distortions of competition it also more and more exerts its influence to secure compliance with environmentally relevant and ethical aspects in trade.



The Annual General Meeting was held at the invitation of the Canadian export credit insurer EDC in Banff in October. The focus of discussions was on the impacts of the international financial crisis on world trade and the resulting challenges for the members of the Berne Union.

The annual Committee Meetings of the BU took place in April in Sydney at the invitation of the Australian export credit agency EFIC, while the Annual General Meeting was held at the invitation of the Canadian export credit insurer EDC in Banff in October. Malgorzata Rutkowska of the Polish KUKI was elected at the AGM as new Vice-President alongside the current BU President Hidehiro Konno (NEXI, Japan). Hiscox Ltd., domiciled in Bermuda, was admitted as a new member of the group of investment insurers. Despite the departure of Bancomex, the BU thus still comprises 50 ECAs, investment insurers and private credit insurers as well as two multilateral institutions: the Multilateral Investment Guarantee Agency (MIGA), with its seat in Washington, D.C., which belongs to the World Bank, and the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) domiciled in Jeddah, Saudi Arabia.

The most important topics in the year under review were also at the BU the international financial crisis and the challenges for the BU members arising out of it in the financial sectors of specific countries (Russia, Kazakhstan, the Ukraine, the Baltic States and a number of South-East European countries). The BU therefore also held a conference over several days in Amsterdam dealing with the possibilities of risk transfer by the export credit agencies among themselves as well as with the private market to create additional cover capacity.

In the discussions on individual countries, the focus was on the countries already mentioned above as well as Argentina and Iran, but first and foremost on the African continent. The current economic and financial situation in Africa and the implementation of confidence-building measures to intensify infrastructure projects and international trade relations were comprehensively discussed at a three-day seminar held in Cape Town in November 2008. It emerged clearly that there is a considerable need for more information in the African banking sector concerning the cover facilities of the BU members. The latter should reinforce their contacts with local insurers, banks and transnational institutions in order to support not only growth in the private sector, but also projects which have hitherto not been realizable due to the insufficient availability of state guarantees.

COOPERATION WITH CREDIT INSURERS IN OTHER COUNTRIES

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Besides active participation in the work of the multilateral committees of the EU, the OECD and the BU, the strengthening of bilateral contacts with other ECAs from OECD as well as non-OECD countries plays an important role.

On the occasion of the Annual General Meeting of the BU at Banff in Canada on 17th October 2008 many years of negotiations were brought to a successful conclusion with the signing of a reinsurance agreement with US EXIMBANK. The conclusion of this agreement brings the number of framework agreements, up to now predominantly with European ECAs, up to 22.

At the beginning of 2008 a delegation including representatives of the IMC ministries and the mandataries undertook a five-day trip to India. Their goal was, among other things, to strengthen their contacts

with the Export Credit Guarantee Corporation of India Ltd. (ECGC) and the Export-Import Bank of India – particularly with regard to the OECD’s outreach strategy – and to sound out the possibilities for cooperation in the case of exports to third countries. Against the background of the Indian External Commercial Borrowing Guidelines discussions were held about the prospects for closer cooperation with the Reserve Bank of India concerning German investments.

Particularly significant was the conclusion of a bilateral cooperation agreement with the Bank for Development and Foreign Economic Affairs (Vneshekonombank) which was signed on 8th December 2008 in Moscow. Vneshekonombank is a state-owned Russian bank which was already founded as the “External Trade Bank of the USSR” in April 1924 in the then Soviet Union. It plays a key role in Russian state investment activities

In October Euler Hermes and the American Export-Import Bank signed a reinsurance agreement in Canada. From left to right: Karlheinz Bieniek, Dr. Hans Janus (both Euler Hermes), Piper Starr, James H. Lambright, John A. McAdams (all three Export-Import Bank)



and wants to position itself in future in the field of export credit insurance. It is the purpose of this agreement to promote trade with the Russian Federation, which has long been one of Germany's most important trading partners. The countries aim at closer cooperation in issues of export credit insurance, especially in German-Russian joint projects in other countries, as well as an exchange of information about possible joint transactions. The agreement also forms the basis for concluding possible agreements on parallel insurance, coinsurance and reinsurance agreements at a later stage.

On 8th December 2008 Euler Hermes and PwC signed a cooperation agreement with the Russian state Bank for Development and Foreign Economic Affairs (Vneshekonombank, VEB). The purpose is to promote trade between the Russian Federation and Germany. From left to right: Manfred Bruer (PwC), Dr. Hans Janus (Euler Hermes), and Vladimir Dmitriev (VEB)



COOPERATION AGREEMENTS

Australia	R
Austria	S, C, R
Belgium	S, C, R
Brazil	B
Bulgaria	S, C
Canada	R
Cyprus	S, C
Czech Republic	S, C, R
Denmark	S, C, R
Estonia	S, C
Finland	S, C, R
France	S, C, R
Greece	S, C
Hungary	S, C
Israel	R
Italy	S, C, R
Japan	S*, R, B
Latvia	S, C
Lithuania	S, C
Luxembourg	S, C, R
Malta	S, C
Netherlands	S, C, R
Norway	S*, C*, R
Poland	S, C, R
Portugal	S, C, R
Romania	S, C, B
Russia	B
Slovak Republic	S, C
Slovenia	S, C, R
South Korea	B
Spain	S, C, R
Sweden	S, C, R
Switzerland	S*, C*, R
Turkey	C*
United Kingdom	S, C, R
United States	R

S – subcontracting deliveries accounting for 30-40 % pursuant to decision of the Council of the EU (up to 40 % in the case of order values under 7m EUR)

S* – subcontracting deliveries of 30 % according to bilateral agreement

C – coinsurance agreement under EU regulations

C* – coinsurance under bilateral agreement

R – reinsurance agreement on a bilateral basis

B – bilateral cooperation agreement