Imports from Germany
Do you import goods or services from Germany? In this case the Export Credit Guarantees of the Federal Republic of Germany – also known as Hermes Cover – may make the transaction of your entire import business easier. They do not only support German exporting companies but you can also benefit from them: Hermes Cover offers many possibilities to minimize the risks to your German business partner and consequently additional financing opportunities for both of you. For example, it is easier for your German supplier to extend a supplier credit to you, or a bank grants you a buyer credit so that you need not pay for the goods or any services as soon as you receive them. At the same time your German exporter or the lending bank are protected against political and commercial risks.

Export credit guarantees make it easier for you to purchase German goods, which are of top quality by international standards and can be exactly tailored to your needs due to the high degree of specialization. They support the establishment of new business relations with German exporters because such relations are put on a sound base right from the beginning.

This brochure will provide answers to some basic questions regarding Hermes Cover and the chances that arise for you.

**PROCESSING OF EXPORT CREDIT GUARANTEES**

The Federal Republic of Germany has mandated Euler Hermes Aktiengesellschaft (Euler Hermes) with the management of the export credit guarantee scheme. Euler Hermes prepares the application of your exporter or the lending bank for a decision on cover. Main criteria for the granting of cover are whether a transaction is eligible for support and the risk involved is justifiable. The Federal Ministry for Economic Affairs and Energy, which has the lead function, decides on an application for cover in the Interministerial Committee with the approval of the Federal Ministry of Finance and after agreement has been reached in consultation with the Federal Foreign Office and the Federal Ministry for Economic Cooperation and Development.

In addition to representatives of these four ministries staff of Euler Hermes as well as experts from industry, the banking sector and institutions which play an important role for the exporting industry take part in these meetings as advisors. Thus it is ensured that the decisions are in line with the exporters’ practical needs.

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INTERMINISTERIAL COMMITTEE FOR EXPORT GUARANTEES (IMC)

Ministries
- BMWi Federal Ministry for Economic Affairs and Energy – lead function –
- BMF Federal Ministry of Finance
- AA Federal Foreign Office
- BMZ Federal Ministry for Economic Cooperation and Development

Mandatory
- Euler Hermes Aktiengesellschaft

Experts
- representatives of exporting industry and the banking sector
- KfW
- AKA Ausfuhrkredit-Gesellschaft mbH
- Federal Audit Office

transactions on short credit terms

When raw materials, semi-finished goods, components, consumer goods and spare parts are supplied, only credit periods of up to six months are normally accepted for the granting of Hermes Cover. For high-value components and consumer durables credit periods of up to 12 months, in exceptional cases of up to two years, may be acceptable. For recurring supplies at short payment terms the export credit guarantee scheme offers cost-effective and straightforward Wholeturnover Policies and revolving guarantees to the German exporters. But it goes without saying that single transactions can also be covered.

However, Hermes Cover for transactions at short credit terms is available to German exporters only if your company is domiciled outside the EU or the OECD core countries. Cover of export business at short credit terms in EU or OECD core countries is regarded as marketable because private insurance companies offer sufficient insurance facilities. Therefore the Federal Government is not allowed to offer cover for this type of business.
Export transactions with an agreed credit term of up to five years are classified as medium-term business. Long-term credits may have repayment terms of up to 12 years – in exceptional cases up to 18 years. For these types of business a wide range of customized single transaction guarantees is available. You will learn more about the two most important forms of cover – supplier credit cover and buyer credit cover – in this section.

As a rule a down-payment amounting to 15% of the contract value and payment of the remaining 85% in at least semi-annual instalments are required for transactions with credit terms of more than one year.

How does supplier credit cover work?

If your business partner grants you a payment term with a due date, he can insure this credit with a supplier credit guarantee. The business transaction will become more attractive for you if the German exporter can transfer his risk of bad debt losses and grant you a longer period for payment. In some cases the German exporter may have no alternative but to do this in order to obtain funding from his bank for himself. However, for the granting of a Supplier Credit Guarantee, it is important that you assist in the process by making all required documents available to our partner.

What are the advantages of buyer credit cover?

Export transactions at medium and long credit terms are frequently financed through a bank by means of a buyer credit. Normally, your German business partner will be able to arrange such a credit – do not hesitate to ask him! The German bank (but also certain foreign banks as well as all German subsidiaries of foreign banks) will grant you or a bank in your country a credit with which the purchase price you owe to the German supplier will be paid immediately upon delivery of the goods or when the rendering of services commences. Thus the pressure on the German exporter’s balance sheet will be relieved straightaway – hence the buyer credit will always have...
a positive effect on his liquidity. This is the key advantage for the German exporter because, in contrast to a supplier credit where he grants you a period for payment, he need not refinance himself. You may frequently benefit from longer credit repayment terms when a bank is involved.

**Buyer credit cover** protects against a possible non-payment of your loan for commercial or political reasons – for example insolvency or war-like events in your country. Frequently, banks will only grant a buyer credit if the Federal Government provides a corresponding guarantee. Thus the commitment for cover may be decisive for your import transaction to materialize.

However, buyer credit cover will require a vetting of the transaction. For that both the current situation in your country and your company’s creditworthiness are material. In order to ensure a swift and smooth investigation, you should by all means make any information material that may be requested completely available at the earliest possible.

**TO WHAT EXTENT CAN LOCAL SUBCONTRACTORS BE INVOLVED?**

Supplies and services which originate in your country and are incorporated in the transaction to be financed on medium or long term are generally referred to as “local costs”. In principle they can be included in Hermes Cover together with goods and services imported from Germany if they are directly linked to your import transaction as part of your debt. This enables you to continue to cooperate with local subcontractors which will be very advantageous for you with regard to an easier handling of your import business.

Pursuant to the OECD rules credit terms may be applied to local costs amounting up to 23% of the total value of the contract – these are an extra 30% of local costs in terms of the contract value of the imported goods. In the event that the necessary local costs exceed this percentage, they can only be included in the cover if you agree cash payment terms. Additional conditions may result from the cover policy that applies to a specific country.

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**CONTRACTUAL RELATIONSHIP IN CASE OF A “SIMPLE” BUYER CREDIT**

- **Importer**
- **Exporter**
- **Lending bank**
- **Payment of purchase price on delivery**
- **Letter of Undertaking**
- **Buyer Credit Guarantee from the Federal Government**

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INFORMATION FOREIGN CUSTOMERS

Imports from Germany

INCLUSION OF SUPPLIES FROM THIRD COUNTRIES

Besides, it is possible to a certain extent to include goods which originate neither in Germany nor in your country in the supplies and their funding (so-called foreign content). In principle supplies of goods worth up to 49% of the contract value are permissible. But higher amounts may also be feasible.

WHAT KIND OF INFORMATION IS REQUIRED?

In order to be able to judge whether you as importer of goods or services will be able to meet your contractual obligations, experts will assess your creditworthiness. The more detailed the information you provide is, the swifter a decision can be taken. Our assessment will be based on credit reports from banks, information from credit reference agencies and other export credit agencies. Besides, the Federal Government also resorts to reports from German embassies and your company’s business plans especially in connection with major projects. For structured finance transactions projected income statements from banks are required in addition.

When your creditworthiness is assessed, your company’s size, business strategy, market position and, if applicable, position within a major group of companies are taken into account in addition to a lot of other indicators. However, the assessment focuses on your balance sheet, your assets, your financial position and your profits during the past three years. Your net worth, your estimated liquidity and your refinancing possibilities are also taken into account as criteria for the decision on the granting of Hermes Cover.

Finally, information about other exporters’ payment experience with your company will complete the creditworthiness analysis.

SECURITY INTERESTS

In some cases additional collateral may be required in order to secure your German business partner’s claim to payment. For this various different security interests will be considered depending on the type and scope of the contract and on your creditworthiness.

A purchase agreement may be secured with bills of exchange, which should be guaranteed if required. Besides, it may be necessary that you grant your business partner the right to retain the title of ownership or to create a lien on the goods supplied.

Moreover a payment guarantee from another company, a bank guarantee, a letter of credit, a guarantee from the state or a letter of support may be required in some cases.

WHAT WILL HAPPEN TO YOU IF A LOSS OCCURS?

If, despite all your efforts, you are unable to meet your payment obligations when they fall due, the exporter or the bank will, under certain circumstances, be indemnified for the loss. At the same time you, the experts of Euler Hermes and your German business partner will jointly try to find a mutually acceptable solution for the discharge of the debt. Such a solution could be in particular the extension of the payment terms.
Hermes Cover...

- makes imports possible
- enhances the terms of payment
- supports delivery of customized products
- can also include local costs
- secures also local currency transactions
... has many advantages for your trade relations

If, however, all efforts to negotiate a solution fail, legal action will ultimately be taken. Indemnification payments are made with German taxpayers money – for this reason the Federal Republic is not in a position to be accommodating when it comes to settle losses.

You should also bear in mind that a payment default will severely restrict future cover for your imports from Germany or render it altogether impossible. Besides, the export credit agencies of other countries (of the Berne Union) inform each other about payment defaults of foreign customers. This will have the consequence that the export credit agencies of other countries will also restrict cover.

**ADVICE**

You will find more detailed information on the Internet at [www.agaportal.de > English](http://www.agaportal.de > English)

Besides, the employees of Euler Hermes Aktiengesellschaft will be pleased to answer any questions you may have on the phone. Please do not hesitate to contact them at: +49 (0)40 / 88 34 - 90 00.
Cover from the Federal Republic of Germany for foreign business

Export Credit Guarantees and Untied Loan Guarantees have been established and effective foreign trade promotion instruments of the Federal Government for decades. Export Credit Guarantees ("Hermes Cover") protect German exporters and the banks financing them against political and commercial risks. Untied Loan Guarantees are to support raw material projects abroad regarded as eligible for promotion by the Federal Government. Both promotion instruments play an important role in fostering economic growth as well as in protecting and creating jobs.

They are managed on behalf of the Federal Republic of Germany by Euler Hermes Aktiengesellschaft as mandatary of the Federal Government.

Information on other foreign trade promotion instruments of the Federal Government can be found at www.bmwi.de under the search term "Promotion of foreign trade and investment".

Federal Ministry for Economic Affairs and Energy

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