



**berneunion**

# **International Standards in Export Credit Insurance**

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## Who sets international standards?

- WTO
- OECD
- EU
- Berne Union

## ASCM – Agreement on Subsidies and Countervailing Measures

### ➤ Premiums must cover long-term costs and losses

“The provision by governments (or special institutions controlled by governments) of export credit guarantee or insurance programmes, of insurance or guarantee programmes against increases in the cost of exported products or of exchange risk programmes, at premium rates which are inadequate to cover the long-term operating costs and losses of the programmes”

Annex I, Illustrative List of Export Subsidies, article (j)



## Standards for officially supported export credits:

- Arrangement on Officially Supported Export Credits
- Environment – “Common Approaches”
- Anti-bribery
- Sustainable lending

## OECD Arrangement

- The most important of the international standards
- First embryo in 1978
- Widened and strengthened over time
- Participants: EU, Norway, Switzerland, United States, Canada, Japan, Korea, Australia, New Zealand
- Law in the EU, “soft law” in other participating countries
- Officially supported export credits  $\geq 2$  years
- Military and agricultural exports excluded

## OECD Arrangement

### OECD credit rules

- Downpayment
  - $\geq 15\%$  of export contract
- Repayment period
  - $\leq 5$  or  $8.5$  years (category 1 countries)
  - $\leq 10$  years (category 2 countries)
  - $\leq 12$  years (power plants)
  - $\leq 18$  years (renewable energy & water)
- Repayment pattern
  - at least half-yearly instalments
  - but some flexibility, e.g. in project finance

## OECD Arrangement

### OECD sector rules (“understandings”)

- Ships
- Civil aircraft
- Nuclear power plants
- Renewable energy & water projects
- Project finance transactions

## OECD Arrangement

### OECD premium agreements

- Premiums should be risk-based
- Premiums should converge
- Premiums should cover long-term costs and losses

### “Knaepen package”, 1999-

- Minimum premium rates for country/sovereign risks
- Common country risk classification

### “Malzkuhn-Drysdale package”, 1 Sept 2011-

- Minimum premium rates for commercial risks
- Guidelines for commercial risk classification



## OECD Arrangement

### OECD outreach

- 10+ countries invited as observers
- Non-OECD countries
  - can join sector understandings
  - can attend technical meetings (premiums, environment ...)
  - can become full Participant of the Arrangement

## European Union rules

MLT – medium/long term export credits

- Terms and notifications
- Speaks for all EU countries in the OECD

ST – short term export credits

- No cover for “marketable risks”
- “Marketable” < 2 years risk period in high-income countries
- Temporary exceptions during global crisis

## Why WTO/OECD/EU rules?

- Reduce subsidies
- Support open and fair trade
- Promote competitions through price and quality of products
- Provide a level playing field for countries and companies
- Foster transparency

## Berne Union Guiding Principles

- Promoting sound principles & practices in trade and investments
- Supporting and guiding members' business
- 10 Guiding Principles
- ST, MLT and INV Operational Guidelines
- Adopted by all 48 Berne Union members
- Also adopted by the 25 Berne Union Prague Club members

## Berne Union Guiding Principles (abbreviated)

1. Contribute to stability and expansion of world trade & investments
2. Review & manage risks carefully
3. Promote sound business practices
4. Generate revenues matching costs and risks
5. Manage claims and recoveries professionally
6. Take environmental issues seriously
7. Support combating corruption & money laundering
8. Exchange information and set standards
9. Furthering transparency
10. Cooperate with others in trade & investments

## Berne Union Guiding Principles (example)

- Guiding Principle 3:  
“We promote export credit and investment insurance terms that reflect sound business practices”
- Example of ST & MLT Operational Guideline:  
“The Berne Union has defined a set of specific guidelines as listed in the Annex”
- Example of MLT annex:  
“The following terms may serve as a guideline:  
Up to 3 years credit: Contract value  $\geq$  USD 100,000  
Up to 4 years credit: Contract value  $\geq$  USD 200,000  
Up to 5 years credit: Contract value  $\geq$  USD 400,000”



Thanks  
for your attention!