Export credit insurance

Cătălin-Florinel Stănescu PhD Student
University of Craiova
Faculty of Economics and Business Administration
Craiova, Romania
Mircea Laurențiu Simion PhD Student
University of Craiova
Faculty of Economics and Business Administration
Craiova, Romania

Abstract: The contemporary world economy is characterized by strong growth in the interdependence of countries in the world, which resulted in enhancing international trade in support of national economic development. These financial flows and trade oriented economic activity of most countries of the world by area internațională.În trade negotiations, terms and conditions of payment are strengths on which to focus the attention of both Parties.

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INTRODUCTION

Export credits are, along with credits and loans campaign for stocks, the category of specialized loans held in portfolio by most commercial banks. Broadly, export credits or export pre-financing loans from banks are businesses with export production to support or promote it, or to meet exceptional needs arise during the production of export achievement.

Export activity is treated with the utmost attention by all countries, exporters benefiting from a policy and stimulation techniques represented by export credit granted on favorable terms, guarantee and insurance of these loans by the state.

The loan is considered by most experts as the engine driving the national economy due to the role of investment and employment based on their employment, output growth. Similarly, export credit reveals its role as international economic exchanges fuel, due to economic benefits and national economy as a whole.

Other than that, export credits and reveal other opportunities, but each according to their typology, as distinguished national and international banking practice a variety of export credits.

In the current conditions in each country, regardless of its level of development, constantly seeks to increase exports to obtain foreign currency for the purchase of imported goods required for production process necessary consumption.

Usually fixed assets, and particularly certain industrial equipment, comes gradually parts, as the manufacture and as the investment. Thus while there is a need installment payment by the importer supplies. Timing of payment of imported products is necessary if capital goods are delivered fully assembled, have a higher value and are durable. For small and medium businesses is hard hard to suddenly pay the full amount thereof.

Suppliers do not always have the financial resources for lending to their customers, even for a few months. As a result, buyers require a bank loan provider in the country to pay at maturity mărfirile purchased imported. In this way, the loan becomes a tool that fosters international trade, expansion of economic and financial cooperation between states.

CHARACTERIZATION OF EXPORT CREDITS

The export credit insurance, provided the buyer has his place of business in a country other than the one in which the insured. The underwriting risk should be considered as information on economic and financial situation of the buyer, and information on country of origin.

Export credit can be used to meet the financing needs of customers, caused by production and export performance or services for export, export financing to achieve production or export of pre and post delivery financing of expenditure on purchase of raw materials materials, technology utility payments and other current expenditure incurred in implementing export production or export finance.

They provide short-term (up to 1 year), medium (up to 2 years) or long (for complex products or with long manufacturing cycle, depending on the duration and characteristics of export finance).

Export contract is to: delivery of goods, execution of works or services, the assignment of licenses and patents in favor of buyers or foreign beneficiaries.

Since, most often, the Contracting Parties agree, by contract, on a time lag between delivery and payment, the supplier provides commercial credit and foreign buyers, so, the provider assumes the risk on the exporter's credit and liquidity effects of operations Export term payment.

Exporting involves the following risks: the value of goods supplied on credit failures to receive or collect them late, the buyer refused to take the goods reached their destination, termination of the contract by the buyer during the production process from supplier, damage or destruction of goods in manufacture or transport timpil the impossibility of repatriation of machinery, equipment, materials and other goods in order to achieve cross-border cooperation between the different works of external customers, providing legal liability to third parties.

Increased competition causes businesses worldwide to launch the firm offer, valid for a certain period of time.

Changing economic conditions, the period of validity of offer (price, interest rate, exchange rate), can generate, for exporters, in the event of commercial contracts, a series of losses that can not be recovered from the importers.

Risks by their nature can be grouped as follows:[1]

Commercial risk is deteriorating financial situation of the private buyer, which make it unable to perform the due date, payment amount due. The fact that a buyer can not honor their commitment to the supplier may be caused by accidental causes, acting reversible or long-term factors. Failure to pay amounts owed may be the result of bad faith purchaser claiming imaginary reasons of product quality in order to evade payment.

[1] Mircea Costin, Deleanu Sergiu - International Trade Law, Vol - General part and vol II - Special Part, Lumina Lex Publishing House, Bucharest, 1997

Catastrophic risk occurs as production of natural disasters or other causes of force majeure such as floods, hurricanes, earthquakes, volcanic eruptions, fires, explosions, etc.. That put buyer unable to pay.

Political risk includes certain events beyond the control and solvency of the buyer and hinder it to honor its obligations toward the external supplier. Such riscurri include: war, revolution, rebellion, civil war, strike.

Some measures can be taken a political nature and third countries or international organizations against the country of the importer, who make the latter unable to meet its obligations to the supplier Palti. It also can establish a country embargo by the Security Council, by one or more countries. In these cases not transferred the currency risk is due to external provider, although private importer submitted to the bank, the national currency equivalent of the amount due.

It also can be considered political and not paying on time the amounts owed by importers policies.

Currency risk arises when the operaşiunile export term payment can be made in two currencies (the supplier and buyer). Changing the relationship between the two currencies in the period after signing the contract and to pay furniturii, can cause losses to win for buyer and supplier and vice versa.

In order to avoid credit risk on exports, suppliers do further investigation on the creditworthiness of potential customers prior to signing the contract, and then use various tools and techniques of legal financial work. With all these precautions, providers can not provide shelter for all export risks, and why they are calling for protection through insurance.

There are situations where even traditional insurance can not provide full protection furniozorilor exports that are paid on time or banks that grant loans foreign buyers. Appropriate political risks arising from measures taken by public authorities of the importer country and are of uninsured. They also uninsurable risks of default data, we have policies against which debtors can not take coercive measures to make them comply with their obligations.

FORMS OF EXPORT CREDIT INSURANCE USED IN INTERNATIONAL PRACTICE

Export contract may relate to deliveries of goods, execution of works and services, including assignment of licenses, patents in favor of buyers or beneficiaries residing abroad.

If the Contracting Parties agree that payment to be made after delivery at a particular time, when in fact external supplier provides the buyer a commercial loan. In this case, the supplier assumes riscurileexportului on credit. Exports credit for a period of time blocking the financial resources of the provider incorporated in the goods supplied on credit.

Credit - supplier is a type of "commercial credit provider gives to foreign buyers, agreeing to collect money that is owed to it after a certain period of time.[2]" Consimțând a certain payment method provider takes on the one hand, export credit risks, and on the

[2] Floricel Constantin, international financial exchange relations, Didactic and Pedagogic Publishing House, Bucharest, 1996

other hand, takes the cash effects of the operation with term payment. This credit is granted for periods of time scutre and the Contracting Parties shall establish a single contract, the commercial, which includes all relevant information: quantity, unit price, the amounts, terms and payment arrangements, etc.. To protect export risk insurance provider a contract against these risks. The overall turnover is policy on loans, which all foreign buyers are considering doing business with a supplier.

Loan - buyer. If the contract value is greater and longer loan period, the supplier has the necessary financial resources to support this effort financially. In such cases "the supplier will ask the buyer to use to obtain credit. For the buyer will apply to a bank provider market, obtaining a loan called the credit - the buyer. ”[3]

Buyer credit is defined as a "bank loan granted by a local bank in the exporter country direct its saubăncii foreign importer, the importer can pay for merchandise in its delivery."[4]

This type of loan requires the existence of two documents: commercial contract and loan agreement between cupmărător and creditor banks. For hedging export financing bank enters into a contract of export credit insurance.

Loans - aid resources. This is a loan granted by the State aid nature by their governments or public institutions specialized. These loans "are more advantageous in terms of interest, the terms of repayment, grace periods and are for economic development of the beneficiary country, are not guaranteed by insurers, fămânând charged state."[5]

STATE INTERVENTION IN EXPORT CREDIT INSURANCE

In most countries, political risk and severity of risk posed by natural disasters in export credit has discouraged private initiative: the state, directly or indirectly will undertake this insurance.

Public authorities have considered that their intervention necessary for several reasons. Export credit insurance favors the development of foreign trade, it contributes to improving the balance of payments situation. Prticiparea domestic industry to equip countries worldwide credit risk is inherent France concluded in foreign operations with poor debtors. In some eras, export credit insurance has been a general program to fight unemployment, since the conquest of international markets stimulates production and procure new employment opportunities.

But put the question whether state intervention does not remove the risk coverage of export credit, insurance any character. For some authors, credit insurance is assumed by the State, rather, the nature of a subsidy or a dumping measures, because the only concern of public authorities to promote exports is domestic over foreign competition.

State intervention in export credit insurance has only to disturb her lawyers, she ended up anxiety states themselves victims of an overly voluntarist, a source of overload designed to disturb a market structure that coexists with private actors. Losses in major export drives publicesă unanumit number of bodies are not only interested in political risk,

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[3] Gautier Bordeaux-Le crédit acheteur international, Ed. Economic, Paris, 1995

[4] Paul Bran- Relații valutare financiare internaționale, Ed. Didactică şi Pedagogică, Bucureşti, 1990

[5]Simon Yves, Mannaï Samir-Techniques Financières Internationales, Ed. Economica, Paris,2002

but equally, and the commercial risk, which is more profitable for them to have the same constraints as reserve materials and financial security.

The principle distinction between market operations and operations of state is recognized, but that border delimitation meets certain obstacles, but also serious differences in terms of objectives and methods of making the distinction.

Political stakes of public export credit insurance causes remain a fundamental tool of many foreign policy of the state. In this area, there is less insurance and more than international politics, because the choice is often dictated country risks more than the state of bilateral relations, rather than actual business importance.

So credit insurance applied in international trade relations with certain features to the credit insurance law. On the one hand, the export is an economic imperative, each country wishing to balance its external payments balance and defend its independence as well as financial and currency, on the other hand, credit risk particularismil international trade makes often "inasigurabile" by private insurance. For this reason, in most countries, the state should be involved directly in export credit risk management.

CONCLUSIONS

Export credit insurance sector has many pluses for development to accelerate, he knew that the upward trend and a proliferation promises loans in international transactions, and thus the risks that accompany such loans.

In most countries where export credit insurance is a traditional activity, national legislators have intervened regulating this activity. How many rules have been developed during the credit acheteur there or have a small share of course that they reflect the realities of the moment they were taken.

In this respect, taking into account the evolution of credit acheteur consider that future regulation should intervene for the purposes of credit insurance contract concluded by the bank acheteur or the financing institution (it was first interested in the contract of insurance so as and its smooth).

Unlike some states where the activity of export credit insurance is particularly large regulated insurance legislation in Romania, the relatively recent changes, includes only a reference to the existence of this type of insurance, without trying to define or to more detailed regulation , remains to try to define doctrine and analysis.

Even for export credit insurer acting on behalf and account of the state, Eximbank SA, its law of organization indicates only "activities include export credit insurance to its task, without trying to define it."[6]

Complexity of the contract to export credit insurance, although enshrined in legal texts little Romanian, and its differences with other legal institutions, sometimes subtle, make the study of this topic to be so exciting.

Study of issues relating to contracts for export credit insurance becomes even more interesting, requiring nuanced approach when it is translated in the field of international trade, ie when the contract contains an international element and nationality of the parties.

The analysis of various aspects of the contract for export credit insurance: the subject insured, sum insured, the insurance risk, premium, if provided, franchise and

[6] Eximbank Manual

compensation, and contents of the contract, that, although Romanian law rules in the field are largely compatible with the requirements of domestic and international trade, it requires modification of the legislation in terms of sample contract of credit insurance for export and distribution between the insured and insurer to insurer of amounts recovered from third party upon payment of indemnity. Regarding the first problem, form the contract of insurance and proof of its conclusion, it is necessary to analyze the benefits of concluding the contract in writing and its value.

Practices in export financing tends to introduce third party in relation to export credit insurance. To send the right of indemnity insurance by the insured party (assignment policy for export credit insurance), using either traditional or modern techniques that determine the transfer of right to indemnity insurance benefit when the indebtedness secured incorporating circulation title.

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