

Press Release



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Export credit and investment insurers optimistic about growth, despite increasing trade risks and political uncertainty

Copenhagen, Wednesday 17th May 2017 – ‘Trade Barriers’ formed the central discussion theme for the *Berne Union Spring Meeting* this week, hosted by EKF, Denmark’s export credit agency (ECA).

Almost 200 participants from 54 of the Berne Union’s 84 member organisations flew in from across the globe to discuss business trends in export credit and investment insurance, prospects for global trade and the current geopolitical risk landscape.

The latest statistics show Berne Union members collectively insured USD 1.9 trillion of exports and foreign investments last year – equivalent to 11% of total world trade – protecting banks and businesses against commercial and political risks associated with cross border trade and investment.

This is an increase from USD 1.86 trillion in 2015, and confirms a continued risk appetite from credit insurers, despite a difficult economic period which has seen claims peak in the past couple of years (USD 5.4 billion in 2016 and almost USD 6 billion in 2015).

Berne Union President and Deputy CEO of Finnish ECA, Finnvera, Topi Vesteri, observed that “Berne Union members’ business closely tracks developments in the world economy, but at the same time shows considerably less volatility. Our support for over 11% of global exports shows how important the credit and investment insurance industry is to sustaining economic growth.” On the current claims situation he emphasises that “although we have seen some high claims, these are well within tolerable limits for our business, the nature of which is to reduce risk for our clients. Since 2008 Berne Union members have paid over USD 40 billion in claims”.

Trade Barriers

Danish Minister of Finance, Kristian Jensen, addressed attendees to the meeting in a speech highlighting the importance of trade to Denmark’s economy and the value of mutual cooperation in promoting growth, peace and prosperity within and between countries, while two former Danish Politicians – Uffe Ellemann Jensen (Minister of Foreign Affairs, 1982–1993) and Joergen Oestrom Moeller (State Secretary at the Danish Foreign Ministry: 1989 – 1997) applied their expertise to a discussion panel on the global trade system and geopolitics, also featuring Marc Auboin, of the World Trade Organisation.

Ellemann Jensen commented on the 'massive fractures' in the international economic system resulting from protectionist and anti-globalisation policies and stressed that "international cooperation and cohesion are more needed than ever before" to restore public trust in international institutions.

Oestrom Moeller also signalled the increasing importance of political risks, in what he sees as a transition period where new economic models will be crafted in order to adapt to international demographic changes and fundamental shifts in the role of traditional creditor and debtor countries.

The rule of international law provides assurance of predictability and is the traditional anchor for economic globalism. An increasingly complex global trade system combined with an uncertain environment for global leadership and the threat of nationalistic protectionist forces present a significant challenge to this relationship.

Clive Witter, Senior Vice President of Insurance Group at Canada's EDC observed that "When a country introduces uncertainty into trading arrangements by distorting investment and spending decisions, we can expect countries and companies to shift sales and production to other countries with lower trade restrictions. This may artificially support some domestic sectors over the short term, but over the long term, tariffs and trade restrictions reduce the overall competitiveness of a country and its companies." This has immediate impact across supply chains, ultimately increasing costs for consumers, and Clive adds that, "In today's digital world, the negative effects of trade disruption are felt so much faster than ever before, in a matter of days, not months or years."

Growth despite risks

Many Berne Union members expressed concern about the current geopolitical landscape and the potential impact of political shocks. Responding to a pre-meeting survey, members of the Short Term trade credit insurance committee indicated a difficult, but stable business situation: 37% recorded an increase in possible loss notifications in the last three months, but only 15% expected further increases in the following three. While 33% indicated expectations of a period of high losses, 70% expressed a generally optimistic attitude towards the global economy for 2017.

This is a complex market and while trade barriers are never good news for the economy, the increased uncertainty encourages a greater appreciation of political risk and credit insurance. The market continues to have significant capacity, which, combined with high competition results in a sustained soft market and low prices. Increasing corporate insolvencies and non-payment events could result in increasing demand for credit insurance.

Indeed, many members have indicated that business volumes for 2017 show signs of growth versus 2016, and despite high claims, insurers continue to be comfortable with the risks they are taking on.

A number of members signed MoU's and risk-sharing agreements on the fringes of the meeting, including Danish hosts, EKF, who signed a reinsurance agreement with China's Sinosure (also a Berne Union member), formalising a cooperation agreement from 2014.

EKF CEO, Anette Eberhard commented that this is "a great opportunity for both Danish and Chinese exporters - it makes it easier to finance large and complex projects in countries with high risk".

Risk-sharing is normal practice within the industry and the partnerships engaged in by members of the Berne Union through cooperative initiatives and treaty reinsurance arrangements lend further stability to the overall system.

Press enquires: please contact Paul Heaney at the Berne Union Secretariat.

E: pheaney@berneunion.org | T: +44 20 7841 1112

For further information on the Berne Union and members, please visit www.berneunion.org