BUSINESSEUROPE

THE DIRECTOR GENERAL

Mr Joaquin Almunia
Vice President of the European Commission
DG Competition
200 Rue de la Loi
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27 September 2011

Dear Vice-President Almunia, Cher Joaquín

RE: Consultation on short-term export credit insurance

BUSINESSEUROPE is concerned about access to insurance of short-term export credit risks for European companies arising from the continued effects of the financial crisis.

The availability of export finance and export credit insurance is immensely important to exporters of all sizes both with respect to the decision to export and with respect to European exporters' competitiveness. We therefore recommend that the Commission review of the Communication on short-term export credit insurance builds on the principle of avoiding distortions of competition in the export credit insurance sector. It is also important that possible competition distortions are avoided by ensuring an even application across the EU of the Communication.

The current Communication is too strict and inflexible, as there are parts of the market that private insurers do not cover, and that public insurers are prohibited from covering even though the risks are acceptable. With banks tightening their credit conditions during the financial crisis, and private credit insurers acting similarly, the situation has not yet reached a level that can be called "normal". This means that access to export financing and export credit insurance for European exporters is not optimal, especially for SMEs.

The current Communication was also a barrier to the prompt response needed during and after the financial crisis. Both issues hurt European exporters unfairly as Export Credit Agencies (ECAs) outside the EU are not bound by the same set of strict rules.

BUSINESSEUROPE has the following key recommendations:

1. **The new Communication should put forward a transparent, efficient and clear set of guidelines for public interventions on short term export credits, ensuring that the same criteria and conditions apply to each Member State and stating exactly which documentation is needed.**

   Although the State Aid Temporary Framework allows for public interventions in the short-term market, Member State measures must be authorised by the Commission before coming into force. Many Member States had to wait several months before being able to cover short-term export credit insurance in EU/OECD markets.

   In addition, there is no clear set of guidelines as to which documentation is needed to prove that private credit insurers are not covering the market sufficiently. When applying to the Commission to be allowed to offer these programmes in all the countries where they considered that a market failure existed, each Member State submitted different sets of documentation. As a consequence, the Commission

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authorized only certain ECAs to issue short term export credit insurance for certain countries, while it did not authorize other ECAs, due to the different documentation received and not the factual market situation.

2. **The new Communication should ensure that European Export Credit Agencies (ECAs) work on a level playing field with ECAs outside the EU.**

   ECAs in the EU are bound by a set of strict formal limitations on their short-term activities. This puts European exporters at a disadvantage as none of the other ECAs in the Berne Union (the international association for export credit and investment insurance covering both OECD and non-OECD countries) are bound by similarly strict rules.

3. **The definition of short-term export credit insurance should be adjusted to the market conditions, thus allowing public export credit agencies to cover non-repetitive export credits with lead times down to 180 days for markets within the EU/OECD.**

   The current definition of short-term export credit insurance is too strict. In many European Member States the private market for export credit insurance of non-repetitive credits with a lead time between six months and two years is so limited that it is practically impossible to cover this type of exports. This gives European exporters an unfair disadvantage compared to non-EU based exporters.

4. **European exporters should always have access to insurance coverage of acceptable export credit risks – from private credit insurers to the extent possible, and from public insurers otherwise.**

   The current Communication has not always allowed for this, both with respect to the scope and to the periods where the private export credit insurance market could not provide the necessary capacity. This was particularly obvious during the financial crisis where making use of the possibilities for dispensation under the temporary framework proved to be unnecessarily difficult and time-consuming.

   Furthermore, the implementation of the temporary framework has been applied differently throughout the EU Member States, thereby providing for unequal access to credit insurance to European exporters. Future rules should be simpler and more flexible and operational than under the current Communication, in particular by ensuring a quick response when needed and homogeneous implementation throughout the Union.

We trust you will take our recommendations into account and remain at your disposal in case you wish to discuss this issue further with us.

The same letter has been sent to Commissioner De Gucht.

Yours sincerely,

Cordially yours

Philippe

Philippe de Buck