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Technical considerations for the legislation of the export credit insurance system

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Summary:

At present and for a long time to come, adhering to the combination of expanding domestic demand and stabilizing external demand has become the only choice to stabilize the domestic economic growth. Our country should learn from the experience of developed countries, replace policies with laws and regulations in the field of export credit insurance, and clearly stipulate the nature, purpose, objectives, principles, management methods, rights and obligations of participating institutions, etc., so as to provide reliable legal protection for the operation, management and operation of export credit insurance business, and then achieve the purpose of maximizing industrial policy under the premise of avoiding disputes in the field of international trade and investment. The technical consideration of the legislation of the export credit system must grasp two key checks and balances: first, the profit and loss of export credit insurance; The second is the question of whether it should be operated under a market system.

Keyword:

Export credit insurance Agreement on subsidies and countervailing measures Legislative technical

Technical considerations for the legislation of the export credit insurance system

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Abstract: At present and for a long time in the future, adhering to the combination of expanding domestic demand and stabilizing external demand has become the only choice to stabilize the domestic economic growth.

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ic operation. our country should learn from the experience of developed countries, replace policies with laws and regulations in the field of export credit insurance, and clearly stipulate the nature, purpose, operating principles, management methods, rights and obligations of participating institutions, etc., so as to provide reliable legal protection for the operation, management and operation of export credit insurance business, and then achieve the purpose of maximizing industrial policy under the premise of avoiding disputes in the field of international trade and investment. The technical consideration of the legislative of the export credit system must grasp two key checks and balances: first, the profit and loss operation of export credit insurance; The second is the question of whether it should be operated under a dual-trading system.

Keywords: export credit insurance; Subsidy and countervailing measures agreements; Legislative Technology

Export credit insurance is an important economic field at the intersection of international trade and international finance, and is a special policy support measure for governments to provide risk protection for enterprises in economic activities such as export trade, foreign investment and foreign engineering contracting with the backing of national finances. Under the WTO's concept of promoting free trade, many government measures to regulate, manage and stimulate international trade have been restricted, among which the "two antis and one guarantee" measure is one of the few government measures to protect trade allowed by the WTO framework, and export credit insurance is one of the policy tools to support exports allowed in principle by the WTO subsidy and countervailing agreement. For China, expanding domestic demand is a long-term strategic policy to cope with the crisis and promote long-term economic development, and stabilizing external demand plays an important role in increasing employment, promoting enterprise development, and then stimulating domestic consumption, and also creates favorable conditions for adjusting the economic structure and changing the mode of economic development. At present and for a long time in the future, the decline in exports due to shrinking external demand is still the biggest difficulty facing our country's economic growth, and insisting on the combination of expanding domestic demand and stabilizing external demand has become the only choice to stabilize the domestic economic operation. To stabilize external demand, the export credit insurance system is a very strategic deployment.

1. Problems

in China's current export credit insurance system

(1) The construction of the export credit insurance system started late and lacked legal protection

After more than 20 years of practice, our country has achieved certain development, but in general, our country's export credit insurance is very disproportionate to the status of a major exporting country, and the pace of development is not fast. So far, our country has not promulgated any special legislation or laws and regulations on export credit insurance, and other relevant legislation, such as the [Foreign Trade Law](#) and the [Insurance Law](#), has not made clear provisions on export credit, only the [Foreign Trade Law](#) in 2004. However, the export guarantee policy, insurance policy, insurance rate benchmark, national rate and limit control, and the specific insurance matters of export credit insurance, such as the scope of underwriting, entrusted recovery, premium rate, loss definition, etc., have not yet been clearly and unified, and alone give full play to the industrial policy regulation and control function of export credit insurance.

In fact, well-designed legislation can provide reliable legal protection for the operation, management and operation of export credit insurance business, and achieve the purpose of maximizing industrial policy under the premise of avoiding disputes in the field of international trade and investment. Many countries around the world have legislated first and then established export credit insurance institutions, such as Japan and South Korea. The construction of China's export credit insurance system started very late. It was not until before and after WTO accession that on May 29, 2001, China established a wholly state-owned insurance company engaged in policy-based export credit insurance business, China Export and Credit Insurance Corporation, in accordance with the Notice of the [State Council on the Establishment of the China Export and Credit Insurance Corporation](#) (hereinafter referred to as the "Notice"). According to the [Notice](#): "The company operates in accordance with the "Establishment Plan of China Export and Credit Insurance Corporation" and the "Articles of Association of China Export and Credit Insurance Corporation" approved by the State Council. Legislation will be enacted separately when the conditions are ripe. "The Articles of Association of China Export and Credit Insurance Corporation only stipulate 26 very crude provisions, which are far from sufficient.

(2) Export credit insurance is limited by the business model, with low insurance coverage and low



operating efficiency. At present, export credit insurance has become an indispensable tool in international trade, 12%~15% of the global trade volume is achieved with the support of export credit insurance, and the coverage rate of export credit insurance in developed countries is 20%~30%. Export credit insurance institutions in developed countries make an important contribution to improving the ability of the entire financial system to prevent credit risks. Before the financial crisis, our country's export credit insurance supported exports accounted for about 10% of the total general trade exports, far less than Japan's 30%, the United Kingdom's 45%, and France's 60%, which is roughly equivalent to the average of 10% of the Berne Association members. [1] Since 2009, all countries have strengthened their policy investment export credit insurance, and our country's export credit insurance coverage rate in general export trade has also been greatly improved. And it also directly leads to the high loss ratio of our country's export credit insurance, making it difficult to get out of the vicious circle of non-virtuous circle.

The lag in the development of our country's export credit insurance is the result of a combination of many reasons, one of the important reasons is that the export credit insurance institution can implement monopoly prices, and the lack of a competition mechanism to promote the reduction of the price level leads to the relatively large scale of expenses and compensation expenses, which narrows the space for the reduction of the price level.

Although China completed US\$84 billion in underwriting in 2009 through short-term financial allocation [3] which also led to a rapid increase in insurance coverage in the short term, this is an urgent measure to deal with the financial crisis and has not fundamentally changed the overall situation of low insurance coverage and low operating efficiency.

(3) The export credit insurance system lacks a supplementary mechanism and supervision mechanism

for risk funds Many developed countries usually include the expenses and reasonable compensation of export credit insurance institutions in their national budgets for annual review and adjustment. For example, the annual loan limit, insurance and guarantee limit of the Export-Import Bank of the United States must be approved by Congress; Every year, when preparing the national budget, France has to include expenses for policy export credit insurance, which is determined according to the forecast of the executive agency (French Foreign Trade Insurance Company) on premium income, claim payment and recourse payment within a year. However, China has not yet established a transparent budget mechanism, resulting in a lack of financial protection for policy-based export credit insurance, which makes the role of export credit insurance unable to be played in a timely manner. The exclusive policy business positioning of export credit insurance, while its financial allocation is not standardized, even arbitrary, undoubtedly makes its business lose the momentum for long-term development. At present, there are generally problems in the management of the entire system of state-owned assets in China, such as the lack of legislation and normativeness, and the imperfect supervision mechanism in the context, [4] which also brings difficulties to the construction of an open source and cost-saving system for export credit insurance.

In view of the problems existing in the export credit insurance system, the author believes that if the export credit system is to be legislated, it is necessary to consider its technical considerations, specifically from the following aspects: first, the timeliness of the legislation of the export credit system, that is, whether the current time to legislate on our country's export credit system is ripe; second, the nature and hierarchical relationship of export credit system legislation; The third is the key checks and balances that need to be grasped in the legislation of the export credit system. The author will analyze them in detail one by one below.

2. Timeliness consideration

of export credit system legislation On May 27, 2009, Premier Wen Jiabao presided over an executive meeting of the State Council to study and deploy policies and measures to further stabilize external demand among which "improving export credit insurance policy" ranked first among the six important policies and measures, and put forward specific requirements such as the short-term export credit insurance underwriting scale of 84 billion US dollars. These practices are the first time in the history of our country's export credit insurance development and are a concentrated embodiment of the policy function of China's export credit insurance. However, these measures are only used at the policy level as a powerful tool to expand the territory of foreign trade and investment of countries, and are far from being placed at the legislative level.

From a global perspective, it can be found that many countries have achieved their industrial policy goals by legislating the export credit system. For example, the United States established the Foreign Credit Insurance Association in 1961, which consists of 53 major private insurance companies. Most of these practical risks are underwritten by the Export-Import Bank of the United States, and commercial risks in export credit insurance are introduced by the U.S. Foreign Credit Insurance Association to private insurance companies. The Export-Import Bank of the United States is regulated by the Export-Import Bank Act in its business, and its operating policies are strictly controlled by government policies, and the United States Office of Management and Budget reviews all its activities. In Asia, Japan in 1951In 1987, the export credit insurance system began to be established, and the Export Credit Insurance Law and the Export Credit Insurance Special Accounting Law were promulgated, and in 1987 it was renamed the Trade Insurance Law and the Special Trade Insurance Law. Trade Insurance Act

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