

September 14, 2018

BERNE UNION – VISION 2020

The Question of the Day

For much of the last decade (through Strategic Plans and multiple other mechanisms) the Berne Union membership has seemed to be trying to establish whether there were any additional “value added” components to BU membership beyond the long-established and well-regarded networking and technical how-to-operate-an-ECA exchanges. For the past 3-4 years that search for additional value added took a bit of a back seat as membership focused on the decade-old need to update its data, and responding to contacts from the multiple new players in the post-Financial Crisis export finance world. With the Data arena now poised to dramatically expand and deepen the insights members can achieve about the world around them, and the Outreach arena multiplying like rabbits, a reasonable question for the institution would seem to be whether these efforts a) simply improve the networking/technical value-added (clearly they significantly enhance both), or b) could they contribute to a new value added. To the question of “Where could all this change associated with Data and Outreach Task Forces take the Berne Union?”, my crystal ball generates a hypothesis of a future described in the following sections. I call this hypothesis **Berne Union – Vision 2020**.

[Note: This title really should read “partial” vision, as it does not address all the valuable efforts being made to improve the committee meetings, add up-to-date technical items to the agendas, etc. Rather, I use the word “vision” to represent a prospect that is only a mirage today – seen only faintly and by a few. Only if more see and value it (and many work long and hard to realize it), might it become a real part of the 21st century BU.]

Context

During the last decade or so, the diversity of players and mechanisms has steadily increased for both the Trade Finance (short term) and Export Finance (Medium/Long Term) arenas of the world of trade/export financing. This world totals perhaps \$10 trillion/year in financing. Both the ST and MLT arenas have a need for better understanding of the roles various participants play and greater communication among the various participants.

As usual, it is easier to get my arms around the scope and scale of the MLT side of this world. Moreover, this side has seen major changes in the nature/complexity of typical cases, a revolution in regulation related to the Financial Crisis, and a fundamental realignment of the dividing line between commercial and developmental activity. Hence, **Vision 2020** focuses on how the current BU efforts on Data and Outreach could be connected to goals that would make the BU the “center” mechanism for better understanding of/greater communication among the MLT participants in the Trade and Export Finance world. (This vision could easily be expanded to include ST, but it would require another author with expertise in that field.)

Painting the Picture

Start by thinking of the MLT Trade and Investment Finance market as a “wagon wheel”, with the BU as the hub and the 4-6 spokes representing the major financial players in the MLT market. Those players today, and their current connection to the BU, would look as follows:

- 1) Commercial Banks – By volume probably the largest player is the cohort of perhaps 20-25 major international banks that “fund” the financed component of the MLT market, consisting both of business done on their own risk + business done under/with official financing entities.
 - Currently the BU has regular outreach to this community through the ICC, and over time there have been discussions of adding contact with the IIF.
- 2) Private export credit insurers – Perhaps the fastest growing component in the last decade has been the cohort of 25+/- (?) private insurance companies that work directly with almost all the other players in various roles of prime insurer/re-insurer.
 - The BU currently has 10 (and growing) private insurance members and this group is a major source of growth in BU membership, both in terms of number of members and volume of business.
- 3) Official ECAs – Official ECAs are the historical base of the BU, and the prime partner with banks in the provision of MLT export finance. Currently, some 35 ECAs are members of the MLT Committee, with another 25 ECAs in the Prague Committee.
 - “Insurer” ECAs are the core of the BU.
- 4) Multilateral Development Banks (MDBs) – A major and steady force in the MLT world for over 50 years, though not a major interface with the “commercial” side until the last 5-10 years.
 - BU has 1 MDB member (MIGA), as well as regular contacts with the World Bank, Asian Development Bank, etc.
- 5) “Direct Lender Only” (EXIMs) ECAs – The Asian model of separate official funding and insuring entities gives rise to a cohort (less than 10) of ECAs that have gained importance since the Financial Crisis.
 - While the BU has members that do both credit and insurance (e.g. USExim), it has only just begun outreach with the core members.
- 6) Bilateral Development Finance Institutions (DFI’s) – Over the past 10 years, these institutions have multiplied, grown in size, and moved significantly into the territory of the “commercial” ECA institutions.
 - There are no DFI members of the BU (OPIC is trending to be a DFI, but joined the BU as the US investment insurer), but there is a major outreach currently in process.

The BU is an entity whose function is to improve understanding and expand communications among its members. It already has members from, relationships with, or outreach to all the major players in the MLT arena. A “natural” extension of its essence would be to evolve from a hub of members to a hub of relationships. Look at how such an evolution could magnify the value of two current BU efforts.

Data – The BU is putting the finishing touches on a data system that will provide program/sector/country-consistent data across some 60 ECAs/origins of exports. The insights and trends capable of being generated from such a data base would seem the envy of the other MLT world

players – and the value/role of such insights/trends would be magnified substantially by the addition of the data from other players (e.g. DFIs and Exim's). To say nothing of the emergence of a BU role as “go to” information source for publications and/or as center for various academic studies on impact and role of the players.

Outreach – The current outreach efforts to the DFIs and Exims are focused on arranging special/one-off mini meetings (e.g. Offenburg and Paris in 2018 for DFIs and Singapore in 2019 for Exims) that would center on exchanging information on best practices and getting to understand roles better. As there are entities such as the BU for each (e.g. the EDFI for European DFIs and the “Asian Exim” for Exims), why not pitch for an ongoing relationship – with the next step being the proposal below?

Proposal for 2020

In the Fall of 2020 (preferably in Washington), the BU to sponsor a 2-day meeting **with all “spokes” in the wheel**. The sessions would be focused on discussions (with sessions, case studies, etc) on the current (and potential) roles/uses for each player and investigate ideas for an ongoing loose “association” (with BU at hub) that could entail:

- o All the spokes inputting data (with decisions about whether individually and Secretariat aggregates, or spoke representative puts in spoke aggregates);
- o BU providing aggregate data trends (and analysis for insight and perspective) on annual basis;
- o BU (either thru contracting out or some other form) preparing an annual report on “Trade and Export Finance” that would have a chapter on each spoke and several overarching analytical pieces;
- o BU running an exchange of information network for all spokes;
- o BU contracting out research on impacts/importance/needs for players; and
- o Every 2-3 years, convening another “2020” meeting.

[Note: All the above implies that other spokes would be willing to pay some sort of dues to BU to run Secretariat – which would have to be larger and with more different types of skills.]