

SPEECH OF UNDERSECRETARY ANTONIO M. BERNARDO

For the Closing of the Trade and Investment Insurance Practitioners Experts' Workshop Under the APEC-HRD CBN's Capacity Building Program January 17, 2002, Makati City

Good evening, ladies and gentlemen.

On behalf of Secretary Camacho, allow me to express the appreciation of the Department of Finance for the opportunity to speak at the Closing Ceremonies of this gathering of experts on trade and investment insurance. I consider this a personal privilege and interest, having been in the insurance business prior to my joining government. Indeed insurance as a financial service, has gone a long way from the traditional concepts of life and non-life insurance. Because of the challenges brought to various economies by globalization and open markets, insurance has assumed a new dimension, that of insurance on trade and investments to insure investors against losses arising from commercial and political uncertainties.

This forum is of utmost significance as it signals the actualization of a commitment made during the APEC Ministerial Meeting held in November 2000 in Bandar Seri Begawan, Brunei. Then, we agreed to strengthen the institutional capacity of agencies that provide trade and investment insurance. This experts' workshop, being the first step of the ladder of project components, is most crucial because it is envisioned to design the framework of training and capacity-building. How else can this important

endeavor proceed without the first step -- the roadmap that would give the direction, identify the targeted players or participants, identify the training issues and concerns, and provide the signposts or policy guidelines?

I recognize the hard work that each of you have contributed in the past three days to make this experts' workshop a fruitful and successful event. You deserve the deep appreciation of the Philippines as well as the other APEC member-countries for lending your expertise in designing a training program on trade and investment insurance for APEC participants.

Understanding, institutionalizing and strengthening trade and investment insurance is in full congruence with the policy commitment to build a strong foundation for sustained, broad-based growth in the APEC region. It increases investor's confidence and attracts capital towards the region, thus providing a significant enhancer to attain greater trade and investment.

For the lesser developed economies within the region like the Philippines, understanding and promoting trade and investment insurance will be beneficial. The Philippines has been faced with political and economic challenges affecting both foreign and local investments. The offer of this insurance is very timely and exactly what we need to dampen uncertainties and encourage both foreign and local investments.

We hope to learn from the experiences and successes of the developed and very advanced APEC economies. We gathered that in Japan, the Japanese export credit insurance system is said to have contributed to the Japanese economic growth since its establishment in 1950. The ECI supported Japanese foreign trade by reducing the risk arising from war and prohibition of foreign currency conversion. The total insured amount and amount of claims during the 50 year period is approximately Y 350 trillion and Y 2.3 trillion respectively and this covers about 25 percent of total Japanese exports.

In the United States, The Overseas Private Investment Corporation (OPIC), which has been in operation for the last 29 years, has been insuring investments of eligible US investors in developing countries and emerging markets against the political risks of inconvertibility, expropriation and political violence. Over the past 29 years, OPIC has supported more than \$ 138.7 billion in US investments overseas that will generate \$ 63.6 billion in US exports and create more than 250,000 American jobs.

The Philippine experience in trade and investment insurance is just beginning. The Trade and Investment Development Corporation of the Philippines (TIDCORP), a Department of Finance attached agency, is the only known institution providing export credit insurance (ECI) or the protection given to an exporter against the risk of non-payment by his foreign buyer or an export shipment or credit. It protects the exporter from the commercial and political risks. TIDCORP started providing in 1997, and from 1998 up to 2001, has insured P 5.54 billion on purely trade and insurance or approximately 8 per cent of the merchandise exports. Since 1997, however, no claim has

been made which may generally be considered as a good sign that no partner has defaulted on its obligation.

As the end of September 2001, the Philippines exported a total of P 1,176,936 billion of which only 0.23 per cent of P 2.6 billion has been covered by TIDCORP insurance. Clearly, there is more room for improving TIDCORP's effort as well as allowing private sector to venture into this field, to enhance investments and make the Philippines a better business venture again.

Once again, the outputs, the information exchange and the sharing of expertise in this 3-day workshop be invaluable to all APEC economies. And, we look forward to hosting more workshops like this in the future.

Thank you and good evening.