

SESSION 11:

GLOBAL RISK MANAGEMENT

HOW TO PURSUE EXPORT BUSINESS SAFELY



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ALL BUSINESS ENTAILS RISK





HOW TO MANAGE TRADE RISK



AVOID IT
IN THE FIRST PLACE!

*Do your homework
and take prudent
countermeasures.*

Photo: Monks on a Roller Coaster. All over the web.



A: RISK TYPES

- Country
- Transaction
- Buyer



Photo: from www.worth1000.com, and all over the web.

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COUNTRY RISK

Political
Economic
Military

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www.Coface.com

COFACE RATINGS

VIET NAM

POPULATION: 91,878 MILLION
GDP PER CAPITA: 2086 US\$

COUNTRY RISK ASSESSMENT: B
ECONOMIC STABILITY: C
FINANCIAL SOUNDNESS: B
CORRUPTION: C

SYNOPSIS

MAJOR MACRO ECONOMIC INDICATORS

	2014	2015	2016 (e)	2017 (f)
GDP growth (%)	6.0	6.7	6.3	6.5
Inflation (yearly average) (%)	4.9	3.8	3.0	3.7
Budget balance (% GDP)	-4.1	-4.8	-4.0	-4.0
Current account balance (% GDP)	0.4	0.9	0.7	1.0
Public debt (% GDP)	30.1	30.2	30.0	34.8

(e) Estimate (f) Forecast

STRENGTHS

- Cheap, skilled labour
- Strong agricultural potential and natural resources
- Development strategy based on openness, a move upmarket and diversification of the economy
- Economy barely affected by the Chinese slowdown

WEAKNESSES

- Shortcomings in the business climate
- Lack of infrastructure
- Unfinished reform of the public sector
- Growing inequality
- Weak banking system

Scroll down to map button



EXIM RATINGS

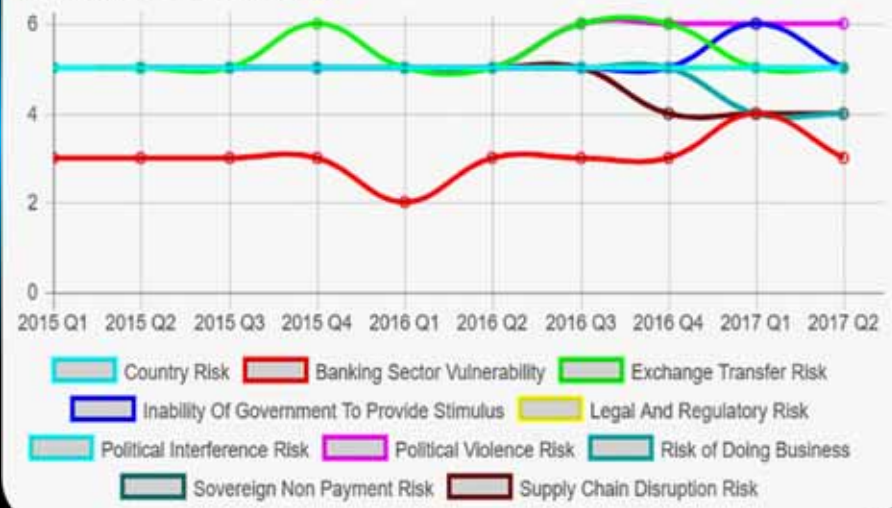
Wow!
You can't get insurance
for Afghanistan.
I wonder why?

The screenshot shows the EXIM Country Limitation Schedule website. The main heading is "COUNTRY LIMITATION SCHEDULE". Below it, there is a search bar and a "Pick a Country" dropdown menu. A hand icon is pointing to the dropdown. The table below shows the following data:

COUNTRY	SECTOR	Up to 1	1 to 7	Over 7 Years
Afghanistan	Public Sector	X	X	X
	Private Sector	X	X	X
Albania	Public Sector			
	Private Sector			

AON RATINGS

Historical Country Analysis



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www.coface.com

RISK AVERSE?

Safe countries
also present
export opportunity



Canada
welcomes you

Photos: Rick, listed as free to use on Google, 4796547475_235d31e3cc_o.jpgwww.flickr.com by Jason Harrove Niagara Falls' New Year's Eve Concert

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COUNTRY INFO

- U.S. Commercial Service
 - (and www.Export.gov)
- State trade offices
- Trade associations
- SBDC ITC's
- Other exporters



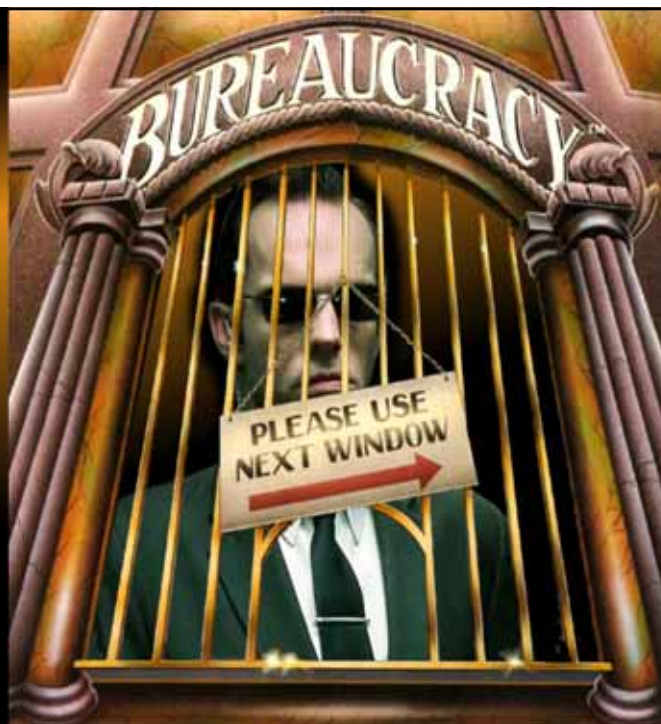
Photos: NASA/Earth EN-US11055468513_1366x768.jpg Also: Min, <http://oneoffaweeasel.blogspot.com/>

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TRANSACTION RISK

- Special permits or certificates?
- Excessive tariffs, taxes, fees?
- Foreign language contracts?
- Imprecise shipping terms (not using INCOTERMS)

Image: Bureaucracy - all over the web. Matrix all over the web.



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1-800-USA-TRADE

(U.S. Trade Information Center)

- Duty & tax rates?
(know your HS number first)
- Trade agreements?
- Quotas?
- Permits?
- Embargos?



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BANK & BUYER RISK



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<http://www.fitchratings.com>

OVERSEAS BANK RATINGS



Images: Fotopedia.com, Fity Dalasis Gambian banknote front by Jeroen Kuvers in Banknote - www.fotopedia.com

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<http://www.fitchratings.com>

ENTITY	RATING	STATUS	DATE
Bank of Baroda	F3	Affirmed	27 Jun 2017
★ Ultimate Parent	BBB-	Affirmed	27 Jun 2017
LATEST RATING ACTION COMMENTARY	2	Affirmed	27 Jun 2017
VIEW RESEARCH	WD	Withdrawn	25 Jan 2012
	BBB-	Affirmed	27 Jun 2017
	bb+	Affirmed	27 Jun 2017
Axis Bank Ltd.	F3	Affirmed	27 Jun 2017
★ Ultimate Parent	BBB-	Affirmed	27 Jun 2017

Hide Filters

CREATE PDF SHARE

RATING TYPES
Bank Ratings

GEOGRAPHY
Emerging Markets
× Asia-Pacific
× India

MARKET SECTOR
Financial Institutions
× Banks

MARKET SECTOR
Universal Commercial Banks (17)
Retail & Consumer Banks (11)
Development Banks (1)

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BUYER CREDIT CHECKS

- **Dun & Bradstreet:**
<http://www.dnb.com/>
- **Coface:**
<http://www.internationalcreditreports.com>
- **USCS Company Profiles:**
<https://www.export.gov/International-Company-Profile>

Photo: Godfather. All over the web



The screenshot shows the Dun & Bradstreet 'Report Pricing' page. It features a dropdown menu for selecting a country, currently set to 'Mexico'. Below this is a 'Show Prices' button. A 'Product List' table is displayed with a red box highlighting the 'List Price' column. The table lists the 'International Business Information Report' with a price of '\$482.99'. To the right of the price is a 'Product Summary' section. A 'Close Window' button is located at the bottom right of the table.

	List Price	Product Summary
International Business Information Report	\$482.99	Industry standard report for moderate risk assessment. Report copy is stored online for 6 months



B: RISK MITIGATION

1. Avoid risky countries
2. Export credit insurance
3. An experienced forwarder
4. Secure payment methods
5. INCOTERMS
6. Quote with proforma





**AVOID
RISKY
MARKETS**

Yes,
it reduces risk...



Image: Napoleon at over the web. permits also at over the web.



GET EXPORT CREDIT INSURANCE



LIVE LINKS

- [AIG Global Trade & Political Risk](#)
- [Chubb](#)
- [CNA](#)
- [EULER, \(ACI\)](#)
- [Exporters Insurance Company](#)
- [Foreign Credit Insurance Assn.](#)
- [Gerling, NCM](#)
- [Lloyd's of London](#)



USE AN EXPERIENCED FORWARDER

- Provides full shipping insurance (10,000 containers lost each year)
- Has shipped to your destination
- Knows your product type
- Check references (Won't give references why?)

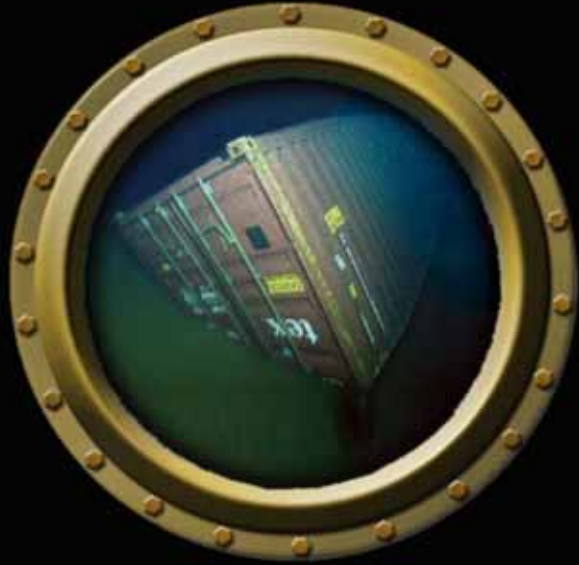


Photo: [http://www.fishbase.org/](#)



USE SECURE PAYMENT

Picture: [Monkey eating 10 dollars. All over the web.](#)



USE INCOTERMS



To avoid misunderstandings*

(See Webinar 7 for details)

Image: Microsoft clip art



ICC Guide to
Incoterms® 2010

Get the book:
<http://www.iccbooks.com>

INCOTERMS® 2010 *Export-U2*

DESCRIPTION	COSTS	RISK	INSURANCE	THIRD PARTY OBLIGATIONS	DETAILS
EXW Ex Works	Buyer	Seller	Buyer	Buyer	Seller is only responsible for making the goods available at the seller's premises. The buyer bears the risk from that point onwards.
FCA Free Carrier	Buyer	Seller	Buyer	Buyer	Seller is responsible for delivering the goods to the carrier, which is provided by the buyer. Risk is transferred at the point of delivery.
CPT Carriage Paid To	Buyer	Seller	Seller	Buyer	Seller delivers the goods to the carrier at an agreed place of delivery and pays for transport to the named destination. Risk is transferred at the point of delivery.
CIP Carriage and Insurance Paid To	Buyer	Seller	Seller	Buyer	Seller delivers the goods to the carrier at an agreed place of delivery and pays for transport and insurance to the named destination. Risk is transferred at the point of delivery.
DAT Delivered At Terminal	Buyer	Seller	Buyer	Buyer	Seller delivers the goods at a specified place under the agreed terms. Risk is transferred at the point of delivery.
DAP Delivered At Place	Buyer	Seller	Buyer	Buyer	Seller delivers the goods to the place of destination. Risk is transferred at the point of delivery.
DDP Delivered Duty Paid	Buyer	Seller	Seller	Buyer	Seller is responsible for bringing the goods to the destination, paying any duty and bearing the goods available to the buyer. Risk is transferred at the point of delivery.
FAS Free Alongside Ship	Buyer	Seller	Buyer	Buyer	Seller is responsible for delivering the goods to the pier alongside the ship. Risk is transferred at the point of delivery.
FOB Free On Board	Buyer	Seller	Buyer	Buyer	Seller is responsible for delivering the goods to the ship. Risk is transferred at the point of delivery.
CFR Cost and Freight	Buyer	Seller	Seller	Buyer	Seller covers cost of freight. Risk is transferred at the point of delivery.
CIF Cost, Insurance and Freight	Buyer	Seller	Seller	Buyer	Seller covers cost of freight and insurance. Risk is transferred at the point of delivery.

FOR MORE INFO

Download our
FREE Incoterms
wall chart:

<http://www.export-u2.com/RESOURCES/Other-Downloads/other-downloads.html>



QUOTE WITH A PRO-FORMA*

A price quote showing:

- Price of goods
- Freight charges
- Incoterms
- Payment terms
- Currency, etc. (US\$ if possible)

* for more info: see webinar 12



SUMMARY:

1. Avoid risky countries
2. Export credit insurance
3. Experienced forwarder
4. Secure payment
5. INCOTERMS
6. Proforma





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Session 11:

The End

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