

sactions must have been cleared by the Minister of Finance, whose decisions are based on the recommendation of the "Long-term Committee".

181. The COFACE insures short-term and medium-term suppliers' and long-term export credits (suppliers' credits and buyers' credits); it also insures *crédits financiers* (financial credits) as defined in the section above on Institutional framework. In addition, it insures equipment used in the execution of works abroad against political risks, provided that the equipment is exported to the foreign country on a temporary basis and is to be returned upon completion of the work.

182. The following export transactions are eligible for insurance by the COFACE:

Sales of goods;

Provision of services: preparation of studies, technical assistance, sales of patents, lease of equipment, constitution of stocks abroad, participation in trade fairs, and the exploration of foreign markets, including advertising;

Execution of public works abroad.

183. In the case of short-term transactions, the COFACE issues global policies covering all of an exporter's sales to one foreign country or group of countries. These policies always cover the commercial risks, while non-commercial risks may be covered at the exporter's request. Special global policies may be issued for transactions with a duration of up to three years involving exports of capital goods. For medium-term and long-term export transactions, the COFACE issues specific policies for individual transactions providing coverage against commercial and/or non-commercial risks. Special policies are issued for participation in individual trade fairs, for increases in domestic prices as compared to world prices and for market prospecting in one or more countries.

184. The risks covered—which include both pre-delivery and post-delivery risks—are as follows:

(a) Commercial risks: defined as the policy holder's inability to collect all or part of the credit owing to a definitive and duly verified inability on the part of the buyer to pay all or part of his debt. This inability is considered to exist upon termination of legal proceedings in the debtor's country which may be assimilated to a *jugement déclaratif de faillite* (judicial declaration of bankruptcy due to misfortune) or to a judgment according the debtor the right to effect a judicial settlement according to French law, or to any friendly arrangement involving all creditors. For all types of credit, the basic cause of losses arising from commercial risks is held to be the buyer's *de jure* insolvency, but for reasons related to credit mobilization, the strict application of this principle is tempered in the case of medium-term and long-term credits by the introduction of the concept of default (*carence*) which is to a certain extent substituted for that of insolvency;

(b) Political risks: defined as those resulting from war, revolution and riots in the debtor's country, a moratorium decreed by the authorities of that country or an act or decision by the government of the country to which the export is destined, and a decision by the French Government prohibiting the production or export of the goods;

(c) Catastrophe risks: defined as those resulting from hurricanes, floods, tidal waves, earthquakes or volcanic eruptions in the country in which the debtor resides;

(d) Transfer risks: defined as those caused by political events, economic difficulties or legislation in the country in which the debtor resides which prevent or delay the transfer of funds already deposited by the latter with his bank;

(e) Exchange risks: such risks may be insured only if they cannot be eliminated or covered by other means (such as forward exchange sales) and on condition that the export bills are expressed in certain specific foreign currencies. Three kinds of exchange risks are eligible for coverage: exchange loss in the case of non-payment for all types of transactions; exchange loss on repatriation of export proceeds; exchange loss on bank guarantees;

(f) Economic risks: price increase risk (covered to the extent to which the increase in French prices exceeds the increase in world prices); risks arising from the exploration of foreign markets (non-amortization of expenditures incurred in connexion with market exploration, advertising and participation in trade fairs).