The role of insurance in international trade

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Abstract—At present, the international market demand is still insufficient. Therefore, it is important that we reasonably avoid the risk of foreign trade, so as to effectively promote foreign trade. Insurance is a means of economic compensation, it plays an important role in international trade. In order to support the development of China’s foreign trade, Better to carry out foreign trade operations, Further clarifying the status and role of insurance in international trade is important. First of all, Insurance can promote the normal development of China’s foreign trade, Secondly, the accumulation of foreign exchange funds can support the economic development of the country, In addition, the insurance in favor of the foreign trade department to conduct business.

Keywords—Insurance; compensation; The international trade

I. INTRODUCTION

Trade between countries in the world now, has a close relation with insurance. Insurance is a means of economic compensation, plays an important role in international trade. The development of international trade not only promotes the progress of the insurance industry, which in turn requires the insurance industry to provide better service, in order to ensure the smooth development of international trade.

The scale and scope of China’s foreign economic and trade is large, the number of import and export trade enterprises is large, at the same time, the risk of the enterprises are also increases. Therefore, workers engaged in foreign economic and trade, not only to master the knowledge of international trade, but also to fully understand and learn to provide security services for international trade insurance knowledge, and apply it to the real business of international trade, in order to guarantee our international the healthy development of trade career. In international trade, insurance and the prices of goods, freight has been integrally formed. To support the development of China's foreign trade, and to better carry out insurance business, further clarifying the insurance status and role in international trade is essential.

II. THE PROBLEM OF FOREIGN TRADE IN CHINA

A. The characteristics of the export products needs to change

Participate in international competition for a long time, our country product mainly depends on the quantity and price advantage, products lack of core competitiveness and low added value. A lot of goods the core technology in foreign hands. Among them, 61.2% of the mechanical and electrical products to be produced by a foreign-capital enterprise, by way of processing trade exports accounted for 51.1%; 73% of high-tech products is a foreign capital enterprise production, by way of processing trade exports accounted for 65.3%. China’s export independent brand construction is relatively lag, has its own brand accounted for about 20% of the total number of foreign trade enterprises, foreign trade enterprises own brand exports accounted for about 11% of the total amount of exports. In many countries and regions, Chinese goods without brand, enterprise is common but not image, the situation is widespread. This is not conducive to the sustainable development of foreign trade, also do not conform to the requirements of the transformation and upgrading of the national economy.

B. Export market is too concentrated

The United States, the European Union, Japan is China’s traditional export markets, during the period of 2005 to 2012, for the country’s total exports accounted for more than China’s total exports more than 55% a year. China’s export destination countries is too concentrated, exports to countries several old trade dependence is bigger, plus products quickly and excessive export easily lead to a vicious competition, cause trade friction; And export market is too concentrated, which made our country's trade growth is also easy to rely on the international market economy, the policy of the importing country and the influence of other international environment, once these established importer of our products adopted a policy of barriers to trade restrictions, such as import duties, or improve product barriers to entry, the export of our country will be hit.

C. Foreign trade development environment is not optimistic

Look from the outside, the world economy is still in the depth adjustment. America’s economy while maintaining the momentum of recovery, but corporate profits mainly comes from capital market, quantitative easing sequela not completely eliminated. The euro zone’s mass unemployment, debt and banking crisis deep-seated problems have yet to be fundamentally solved, the basis of economic recovery is not solid. Japan and some emerging economies monetary devaluation, the brics, started to become “fragile” five countries. Overall, the international market demand is very difficult to return to sustained high growth stage before the financial crisis.
D. Currency instability, labor and raw material costs lead to partial loss of export markets

The appreciation of the renminbi has a great influence on China's export trade, such as the appreciation of the renminbi to cause a decline in product sales profit; Increase the risk of the exchange rate of the textile export contract; Resulting in a decline in the competitiveness of the enterprises, export decline, etc. Appreciation of the yuan would weaken product price advantage and cause of rising prices, labor and raw material costs will also will increase with the increase of price level, export prices will also increased, this product will be lowering export competitiveness. Purchasing foreign importers has begun to Vietnam over the last two years. The ministry of commerce, forest products association, vice chairman of Vietnam RuanZongQuan said, forest products exports of $4.67 billion in 2012; In January this year exports of $425 million, up 47.3% from a year earlier. Many of the original forest products imported from China of European and us companies are now turning to Vietnam, in Vietnam for forest products exporters. Vietnam software and communication technology service enterprises association secretary general fan attack, according to the 2012 Vietnam service enterprise rapid export growth, software and communication technology continue to promise, this year is expected to grow up to 20-30%. Recently there are many Japanese companies to the association of consulting, software services in order to seek long-term and stable cooperation partner.

III. REASONABLY CIRCUMVENT THE RISK FOREIGN TRADE

At present, there is still a serious shortage of international market demand, Our foreign trade still faces a severe contraction in the international market. In the current situation, it is important that we reasonably avoid the risk of foreign trade, so as to effectively promote foreign trade.

A. Optimize the structure of export product, enhance product competitiveness

In international competition, the competitiveness of exports of a country has a pivotal position, enhancing the competitiveness of export commodities is the core of optimizing the structure of export commodities.

China's current level of industrial structure is still very low, the problem of export dependency on the high side is very serious. The government should increase support for the export of Chinese products, The government should put the appropriate policies, Such as tax, finance, loans to support export companies, so that we can optimize the structure of export products, so as to gradually realize comparative advantages, Realize the transformation from the original labor-intensive products to capital and technology-intensive products.

B. Establish a diversified market

The future of China’s export trade should be taken to increase domestic demand and expansion of exports strategy, Seek to break. Export enterprises should adjust the product marketing strategy, continue to explore the diversified international market. In addition to continuing to maintain and develop our traditional markets such as the US market, the market outside the EU, should also be established to expand marketing channels in emerging markets, such as the Russian market, India, Vietnam and so on. China's accession to the WTO makes A wide range of our country enterprise to participate in global competition, Capital goods exports gradually speed up the pace, Compared with the general product output, capital output dependent on financial support more and more strict with risk safeguard measures[1]. Chinese government reference to WTO rules and international practice, intensify policy support of foreign economic relations and trade. Through the international prevailing means of export credit insurance, In the process of enterprise actively explore overseas markets, providing export financing and foreign exchange risk guarantee. Support the survival and development of the internationalization of Chinese enterprises.

IV. THE IMPORTANT ROLE OF INSURANCE IN THE INTERNATIONAL TRADE

Insurance has an important position in international trade. Foreign trade usually go through long-distance transport, whether by sea, land, air, or land and sea transport all have a certain amount of risk, due to natural disasters and accidents, transport and cargo may have caused the loss. In order to guarantee safe transport of goods, the importer and the exporter, and the urgent need for both sides are willing to participate in the insurance, which is the fundamental reasons that insurance has become one of the fundamental prerequisites for foreign trade. First, there must be a country's foreign trade, then need import and export insurance. If there is no foreign trade, insurance will lose clients. Before the liberation, China's economic dependence imperialism, import and export trade volume is very small, then the insurance is useless. After the liberation, the development of China's foreign trade each year, import and export transportation insurance for foreign trade has increased year by year. Therefore, we can say that the development of foreign trade is a prerequisite for the development of insurance, in turn, the development of insurance has provided a guarantee for the foreign trade business, help to further engage in foreign trade.

Our insurance business in the business has its own characteristics, it has the following role in foreign trade and the national economy of our country:

A. Promote the normal development of China’s foreign trade industry

Financial crisis has led importers liquidity shortage, and some domestic small and medium enterprises have been facing difficulties in financing problems, which have led to the order but did not dare take the case.Export credit insurance by strengthening cooperation with financial institutions, so that we can provide a convenient way of financing greatly enhance the confidence of bank financing, which gives companies overseas orders for providing effective support. To improve the proportion of export tax rebate, reducing the cost of a policy focused on reducing charges for the export sector, export credit insurance policy is more focused on export promotion corporate credit rating, to support export companies put account transactions, enhance export competitiveness and enhance the value of exports and expand trade scale.Sadly, although the export credit insurance has such power and have strong government support, but really understand their skills,
and rarely use it to promote the competitiveness of the overseas enterprises. Data statistics, in 2000, China’s export credit insurance cover export volume accounts for only 1% of that year exports, insurance company less than 8% of the total number of export enterprises. And from all over the world, the developed countries export credit insurance cover rate between 20 ~ 30%, about covers most of France reached 37%. That is to say, France, 37% of the total export export credit insurance.

Since the liberation of the insurance sector in line with the principle of foreign economic and trade services, and actively carry out insurance business, providing insurance services with foreign trade. The proportion of China’s foreign insurance coverage has gradually increased. In the past few years, the insurance company the flexibility to take further measures to simplify procedures, increase the types of insurance in order to promote the development of foreign trade industry[2]. For example, China's export insurance rates are generally slightly lower than the international standard, so that trade can reduce costs and improve the competitiveness of China’s foreign trade. In terms of types of insurance, in addition to the existing import and export cargo transport insurance, our insurance company also has held a seagoing ship insurance, automobile insurance, aircraft insurance, personal accident insurance, product liability insurance, and investment risk, compliance risk, and a variety of additional insurance, in order to further meet the needs of China’s foreign trade. In terms of types of insurance, in addition to the existing import and export cargo transport insurance, our insurance company also has held a seagoing ship insurance, automobile insurance, aircraft insurance, personal accident insurance, product liability insurance, and investment risk, compliance risk, and a variety of additional insurance, in order to further meet the needs of China's foreign trade [3]. In addition, the insurance company has paid great attention to the establishment of a wide range of insurance outlets and offers a variety of insurance services in order to facilitate the normal operation and development of China’s foreign trade.

B. The accumulation of foreign exchange funds can promote the country’s economic development

With the development of China’s foreign insurance China’s foreign trade has a rapid development. Although China’s foreign insurance business began to expand outside, but has provided Hundreds of millions of dollars in funding for the country, these funds can be used to support national economic development. Authorities should pay attention to closely cooperate with the foreign trade sector and the insurance sector to develop foreign insurance. A few years later, foreign insurance exchange funds provided by the State will be more substantial.

C. Improve the management of foreign trade department

Participated in the foreign trade department of insurance in favor of improving the management level. This is because the insurance company through a large number of business activities, especially in the inspection damage, claims handling process, can accumulate information, to understand the reasons for the damaged goods, to detect the presence of transport, handling, packaging, and other aspects of the problem[4], to the authorities comments and suggestions conducive to prevention, loss prevention, to reduce the loss of state property, maintaining merchandise credit, foreign trade sector will help improve the management of goods, improve economic efficiency[5]. Insurance companies foreign institutions, but also to provide information for the foreign trade sector and economic intelligence, providing customers with credit terms of management style and materials for foreign trade departments.

D. In favor of the foreign trade department has planned to conduct business

The foreign trade department of the insurance company losses due to natural disasters and accidents caused by the Organization for Economic compensation in a timely manner, can guarantee the normal operation of the foreign trade sector and the difficulties uninterrupted cash flow does not occur, help strengthen trade and economic accounting and there are plans to conduct business[6]. A example is the Iran-Iraq war 24 Vessels total loss, the insurance company claims $ 14.3 million. Timely processing of foreign trade insurance company's compensation case, make reasonable financial security of the foreign trade sector, which is conducive to the normal national foreign economic and trade activities[7]. Insurance promotion of foreign trade has become increasingly valued by the people in many countries to conduct international insurance business as an important means for foreign exchange earnings[8], balance of international payments. Intense competition in the international insurance situation, we need to strengthen the theoretical study on the insurance status and role in international trade and improve the insurance awareness and promote the development of foreign insurance undertakings[9]. Since liberation, our insurance business several ups and downs, the domestic insurance closed over two decades, foreign insurance are not properly developed, net premium income accounted for only 3% of non-trade foreign exchange earnings of the country, international and China status is not commensurate, we should intensify work in this area. First of all, we have to play our insurance advantages, adhere to the unified leadership unanimously principle. Second, we must strengthen the foreign trade sector support for insurance in foreign trade sector negotiations, whether import, export, must fight for insurance in the country. Third, to enhance its services to simplify the insurance procedures, conduct timely and reasonable rationale stickers, and establish the credibility of China's insurance. Fourth, in terms of the provisions of the insurance types, rates, terms, etc., the insurance company should refer to national convention, to adopt a flexible approach, try to meet the needs of foreign trade, in order to facilitate business and improve the ability to compete with foreign investors, thus insurance can play a better role in international trade.

V. CONCLUSION

The scale and scope of China’s foreign trade is large, enterprises also face some risk, So it is necessary to take the means of economic compensation, Combined with the international market demand is still insufficient. We should take some measures to avoid risks in foreign trade activities, In order to effectively promote the foreign trade. For China, to better carry out foreign trade business, further defining the
status and role of insurance in the international trade is very important. Insurance can not only promote the development of China’s foreign trade industry, but also can support the national economic development, in addition, the insurance can also conducive to the foreign trade departments to carry out the work.

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