

Transparency or high risks?

A PROFILE IN PUBLIC INFORMATION DISCLOSURE IN EXPORT CREDIT AGENCIES

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Preface

This study on transparency within the Finnish and international export credit system was commissioned by the Finnish NGO Campaign to Reform the Export Credit and Guarantee Agencies, Finnish ECA Reform Campaign (Kansalaisjärjestöjen vientiluottokampanja). It has been funded by the CS Mott Foundation, a private philanthropy of Flint, Michigan, USA (www.mott.org) The purpose of the study is to support and promote the campaign goal of full transparency in the decision making of the Export Credit Agencies (ECA). The ultimate aim of the Finnish and international ECA Campaigns is to have the ECAs adopt binding environmental and social criteria and standards with full transparency in decision making. (www.vientiluotto.net)

This study seeks to shed light to the current level of transparency in the export credit system. The main concern is the variance in the extent of transparency between the national Export Credit Agencies (ECA) in different countries. The study identifies and analyzes the differences and the main obstacles presented by ECAs for adopting more transparent practices. It also discusses the consequences of the lack of transparency .

The author is a specialist and consultant on ethical business practices, human rights and global trade. She is the former Executive Director of the Fulbright Commission in Finland and has been a visiting scholar at Columbia University in New York, USA, at the Center for the Study of Human Rights CSHR.

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1. Introduction

Transparency and High Risk Disclosure Statements: Who is Responsible?

When national export credit agencies (ECA) give companies financial support for implementing projects abroad – mainly to developing and emerging market areas – what agency and which officials are responsible for transparency; for disclosing possible high risk impacts on the local population and environment? Do current regulations demand transparency and disclosure statements? What are international disclosure practices? What is a company's responsibility to inform of risk? Who do they inform – the media, the agencies, the local officials? Who is aware of the risk? Who pays the damage?

In short, what are the disclosure ethics and practices of national export credit agencies and companies doing business abroad?

International concern on the issue of transparency and proper information disclosure is presented by the statement of George Soros, the chairman of the Soros Fund Management:

*"It is in the enlightened self-interest of the [those] companies to ensure that their payments are not misappropriated. In association with a broad consortium of human rights, environment, development, and anti-corruption groups, I am endorsing a proposal that would require oil and natural resource companies to make public how much they pay to national governments. The proposal, known as "Publish What You Pay", would be a useful step in forcing corrupt governments to open up to scrutiny from their own people. The idea is to require natural resource companies to make public disclosure of taxes, fees, royalties and other payments to governments as a condition to be listed on stock exchanges. I am not talking about releasing commercially confidential data, but simply the basic figures that companies are already required to disclose in many developed countries."*¹

Is Finland taking part in the discussion? On what level – Ministry, Agency, Trade Groups, Companies? Does the public know about the issues? Do companies practice transparency and reveal their disclosure practices? Is the media involved in bringing the issue to the public forum? Does the public have a right to know? Is there a real threat to a company's competitive position in disclosure statements or is that an excuse for not taking responsibility?

This investigation attempts to answer some questions and to raise others. It also attempts to identify agencies and persons dealing with these questions. The paper is an open forum to bring media and public attention to the critical ethical issues involving international business practices.

The Realm of the Export Credits

Governments have established Export Credit Agencies (ECA) to issue credit or guarantees to corporations for implementing export projects in countries that may run a risk of not paying their dues. The official export credit agencies can be fully government-owned entities

¹ George Soros, "Comment & Analysis: Transparent Corruption", *The Financial Times*, June 13, 2002

or private institutions that receive funding from the government. They can be called “half-way houses” between the government and private sector, the “commercial arms” of the government.

Export credit funding is not just “business as usual”. When export credit agencies make funding decisions, they give license to projects that may have long-lasting and harmful impacts on the recipient country. These funding decisions rely largely on public funding – on taxpayers money. Therefore transparency and timely information disclosure, prior to the credit funding decision, should be an essential part of the decision-making process and strategy of the export credit agencies ECAs. Today only few ECAs disclose relevant information on the effects of the project before the decision-making and some not even after it.

*“ECAs are collectively the largest sources of public financial support for foreign corporate investment in industrial projects in the developing world. ECAs account for the single biggest component of developing country debt. In recent years they accounted for some 24% of total debt and 56% of debt owed to official agencies. ECAs help corporations within their own country expand into the developing world, and as a result they compete intensely with ECAs from other countries that do the same. They are quick to back projects that other ECAs and multilateral development banks will refuse on environmental and social grounds.”*²

Due to the intense competition and its consequences the export credit system is called the “Race to the Bottom”. The statement is used by the active civil society, the non-governmental organizations (NGO) to describe competition and business practices that are being used despite their serious negative environmental and social impacts.

An example of the ECAs’ “race to the bottom” is the Three Gorges Dam project in the Yangtze River in China. The construction is the world’s biggest hydroelectric dam and it should be fully operational by 2009. The 600 km long reservoir will flood hundreds of villages and dozens of towns, priceless cultural heritage, millions of hectares of prime farmland, and forcibly relocate up to 1,8 million local inhabitants. It will cause very long-term, irreversible impact on the local nature and society. A Chinese expert called the resettlement an explosive social problem and a source of constant social instability. The Chinese government has admitted that 58 million USD of the 2.1 billion USD of the relocation funds have been misappropriated. The Chinese government allows very little criticism or protesting from its citizens against the dam project and there have been arrests of villagers who have voiced their concerns.³ In 1996 the American ECA, US Ex-Im Bank and the World Bank refused to support the project on environmental grounds. Despite the negative environmental and social impacts, Germany, Switzerland and Canada stepped in and issued extensive export credit to corporations working on the dam project.

ECAs give financial support in the form of export credit or guarantees for implementing projects in mainly developing and emerging markets. This makes ECAs, by association, major actors in the development of those countries and their economies. ECAs receive funding from public budgetary sources. Governments are parties to international conventions

² Doug Norlen, Rory Cox, Miho Kim, Catriona Glazebrook with contributions from the ECA-Watch Reform Campaign “The Unusual Suspects: Unearthing the Shadowy World of Export Credit Agencies”, Pacific Environment and ECA Watch, 2002, page 3.

³ “Dam shame”, *The Economist*, July 6, 2002

*“ECAs are quick to back projects that other ECAs and
multilateral development banks will refuse on
environmental and social grounds.”*

and agreements that promote sustainable development and transparency. Therefore projects that receive public financial support like export credit, should be subject to proper environmental and social impact assessments and their results to public disclosure.

Transnational corporations have moral responsibility to promote and to implement ethical business practices in the developing countries by their own example. The governments and political decision makers who are involved in the ECA funding policies bear the same responsibility by association.

The current practices in the export credit activities in Finland do not actively implement nor encourage transparency. This places Finland among the least transparent European ECAs, with Austria (OeKB), Netherlands (NCM) and Spain (CESCE). A more detailed description of the disclosure practices of ECAs is given in Chapter 6.3.

1.1. Objectives and Methodology of the Study

The objective of this paper was to study and analyze the extent and mechanisms for transparency in export credit agencies in Finland and in selected OECD countries. The goal was to identify and analyze the arguments that are used for and against transparency. I present and discuss the consequences of both active and passive transparency policies. As the framework for analysis I have used the following:

- Arguments and justifications used for and against transparency in the export credit system.
- Consequences for lack of transparency on export credit projects.
- Finnish legislature and international treaties and agreements concerning transparency
- Disclosure guidelines and strategies of selected ECAs

Of the Finnish institutions issuing export credit I have described the public information disclosure conduct of the two directly government-owned organizations, *Finnvera plc*, the official Finnish ECA and *Finnfund* that issues export credit in lieu of the Development Aid of Finland. Finnvera and Finnfund declined in writing to disclose information on the projects they have issued export credit funding or guarantees to.⁴ This directed me to study and to analyze the level of their transparency from the different material that was available in publications and from the consultations they have had with different interest groups concerning export credit transparency. I compared their disclosure procedures and justifications with those of some major international ECAs. I included in the comparison the advanced disclosure policies of two other international, state-owned financial institutions International Finance Corporation (IFC) and European Bank for Reconstruction and Development (EBRD) that issue credit to developing countries and to projects that ECAs are involved in.

⁴ Finnvera plc . Letter to Vientiluottokampanja, Helsinki, March 27, 2002. Finnfund. Letter to Vientiluottokampanja, Helsinki. March 28, 2002.

As sources of information for the analysis I used the material on transparency that ECAs provide to the public and to their potential clients. I requested additional information from four major ECAs on their transparency policy. Only one ECA (Export Finance and Insurance Corporation EFIC, Australia) responded to my query.

1.2. The Main Concerns of ECAs

The concern of the transparency level of the ECAs reflect the intense change of paradigms that is taking place in the global trade environment. The main issues analyzed in this paper are: ECAs' fear of losing their competitiveness and having to reveal business secrets; ECAs' reluctance in adapting internationally accepted transparency practices and guidelines; the built-in mechanism of payment guarantee provided by the export credit system that leaves room for bad business practices; and that the non-disclosure of relevant project information increases the possibility for corruption.

- a.** Transparency, mainly the timely information disclosure on the environmental and social impact assessments of the projects, is a complicated issue for export credit agencies. Losing competitiveness and the "level playing field" to other countries in export trade, and revelation of business secrets are the main issues that ECAs quote as their grounds for non-disclosure. The information provided by ECAs also suggests that many of the agencies prefer resisting binding regulations to finding new solutions for transparent practices.
- b.** ECAs apply different interpretations as to how the information disclosure process should be conducted. There are international guidelines and recommendations on the extent of the disclosure and stakeholder participation that the ECAs could adopt. Transparency has become an integral element of good business practices in many international conventions and agreements. This change of paradigm in the international market towards disclosure and stakeholder participation has not been implemented by all ECAs.
- c.** Export credit guarantee system has an in-built mechanism that leaves room for cutting of ethical corners in the preparation of the risk analysis and impact assessments. The system guarantees the company the return on its investment. This mechanism may lead the company to resort to improper due-diligence, when there is no danger of profit loss. The less evaluations, assessments, stakeholder participation and information disclosure is involved, the quicker the credit or guarantee decision can be made and the project can be started.
- d.** Corruption and bribery are detrimental to every society. Transparency and timely disclosure of information decreases corruption. Especially in developing and emerging markets corruption undermines democratic, sustainable and stable growth. ECAs are active in issuing export credit for projects in developing countries and emerging economies and they are responsible for increasing transparency and preventing corruption by their own measures.

2. Transparency

Transparency has become an integral part of the globalization agenda. Transparency is demanded not only by the active civil society, but by the concerned general public representing all walks of life. This development reflects the rise of humane values that the business community is expected to follow. Transparency is not just a fancy trend; it is an essential vehicle for stable and democratic development; good governance and sustainable, profitable economy, trade and business operations. Transparency is a no-regrets, win-win policy; it generates efficiency and sound, well-rounded growth. Timely, relevant and appropriate information disclosure leads to more balanced and objective assessments on all essential elements of the decision-making process. It may also reveal priorities that are not most cost-efficient nor sustainable or do not follow sound business practices. Transparency increases pressure on decision-makers, both in the public domain and in the private sector to consider, evaluate and justify their decisions and guide them to look for alternative solutions.

Through global markets corporate financing, investment, operational activities, and risks are spread over a large geographical area, to all countries where the company operates. This means shared responsibility for negative actions as well. Information damaging the companies reputation will spread swiftly and globally. Investors are quick to avoid any corporation that may be in danger of facing costly legal action. Transparency counteracts negative information dissemination and increases investors' confidence in the company.

Effective transparency requires appropriate, timely and relevant information disclosure. The Basle Committee on Banking Supervision defines financial sector information disclosure in the following fashion:

"To achieve transparency, a bank must provide timely, accurate, relevant and sufficient disclosures of qualitative and quantitative information that enables users to make proper assessments of the institution's activities and risk profile. It is also crucial that the information disclosed is based on sound measurement principles and that the principles are properly applied".⁵

UN/ECE Aarhus Convention

The Fourth Ministerial Conference in the "Environment for Europe" process adopted "The United Nations/Economic Commission for Europe (UN/ECE) Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters" (The Aarhus Convention) in Aarhus, Denmark on June 25, 1998. According to Kofi Annan, the Secretary General of the UN: "It is by far the most impressive elaboration of the principle of the Rio Declaration, which stresses the need for citizen's participation in environmental issues and for access to information on the environmental held by public authorities."

The convention emphasizes the integral linkage between the environmental rights and human rights. It stresses that "citizens must have access to information, be entitled to participate in decision-making and have access to justice in environmental matters public

⁵ "Enhancing Bank Transparency"; Basle Committee on Banking Supervision, Document No 41, Basle, September 1998

hearing, relevance and quality of the information that is disclosed and free access to the information." "Each party shall ensure that in the decision due account is taken of the outcome of the public participation" and that it is also conducted "within a transparent and fair framework".

The Aarhus Convention is not legally binding for the ECAs, but it is a strong recommendation. The question remains, why do not all ECAs adopt this groundbreaking convention as it provides explicit ground rules for socially responsible business practices?

Internet has greatly assisted transparency by making information disclosure effectively available to large masses. Publication of documents is made easy and timely through the Internet. At the same time Internet acts as a double-edged sword. Disinformation spreads in the Internet as easily as correct information. To pre-empt potential attacks on the contents or relevance of the disclosed information companies and organizations must act promptly – and openly.

A completely new approach to measuring transparency in countries worldwide is provided by the Opacity Index. The word "opacity" describes the lack of clear, accurate, formal, easily discernible and widely accepted government and business practices in the international capital market. The Index that was launched in 2001 was developed by the PriceWaterhouseCoopers Endowment for the Study of Transparency and Sustainability.⁶ Based on the index data it is estimated that countries with the most opaque practices lost at least USD 151 billion in foreign direct investment to countries with greater transparency. "While many countries have been eager to cut tax rates or offer tax incentives to attract foreign investment, increasing transparency could have more effect".⁷

Then, why are the ECAs against transparency? What are the consequences of non-disclosure of pertinent information?

2.1. The Disclosure Reality in Finland

Proper mechanisms for environmental and social impact or information disclosure have not been priorities for the Finnish institutions involved in export credits and guarantees. This was revealed by a study sponsored by the Ministry for Foreign Affairs of Finland in 1999⁸.

The lack of transparency is contrary to the long Scandinavian democratic and citizen friendly tradition of openness and disclosure of official documents. Under the Finnish constitution, the access to official documents is a basic right. According to the official principle of openness, official documents are part of the public domain unless specifically otherwise instructed. This approach has been further strengthened after Finland joined the European Union in 1995. Finland and the other Nordic countries have strongly advocated increased transparency within the EU and its administration. The principle of transparency is included in the program of the current Finnish government. The Finnish Act on Openness of Government Activities from 1999 obligates the authorities to inform the public of their activities and to promote transparency. The Act is applied to state enterprises and to documents in the possession of private parties performing public tasks and exercising public authority.

⁶ The Opacity Index was conceived by Joel Kurtzman, a partner of PriceWaterhouseCoopers (PwC) and managed by the PwC team of Carlo di Florio, Max Henderson-Begg and Roger Lipsey.

⁷ "USA: Lack of transparency costs countries billions – study", Reuters English News Service, April 24, 2002

⁸ Lasse Tallskog, Panu Kontio and Antti Leskinen "Environmental assessment in public promotion of exports and investments to developing countries", Diskurssi Ltd, the Finnish Environment Institute, Helsinki 1999

The Act for Openness also provides provisions for secrecy: "... to protect important public and private interests, which include: international relations ... State security.... protection of the confidentiality of information, public economic interests, private economic interests, the interests of research and development as well as of education..." These provisions for secrecy are stated as justification for non-disclosure on project information prior to the decision-making by the two main Finnish export credit institutions, Finnvera and Finnfund. However, the Act states: "If a document contains only some secret information, access is granted to the public part by covering the parts to be kept secret."

When the Finnish export credit institutions refuse to disclose information on the projects they fund they primarily refer to these three laws:

1. The Act on the Government Export Credit Guarantees (422/2001)
2. The Act on the Openness of Government Activities (621/1999)
3. The Act on the Government Special Financial Institution (443/1998)

The Finnish Export Credit Institutions

In Finland the commercial banks nowadays grant the export credits for which they can seek interest-equalization from Fide Ltd, a subsidiary of the government owned Finnvera Plc. Finnvera in turn gives the export credits a government backed export guarantee which is financed from company's own income. However if the project fails and the guarantee is paid, Finnvera can obtain additional funding from government funded reserve fund which it however has to compensate later. The basic capital of the Finnvera plc is originally from government funds.

At the end of the year 2001 the total amount of export credit guarantee liabilities (including offers) was about 3 240 million euros. Asia as a region is the major recipient of the funding, with Latin America holding the second place. Export credits are channeled through regular banking institutions, but certain financing functions are divided between some government-owned agencies.

- Finnvera, plc, Finland (government owned)
- Fide Ltd (subsidiary of Finnvera)
- Finnfund (government-owned)
- Finnish Export Credit plc (government-owned)

Finnvera is the official ECA of Finland and *Fide* its fully-owned subsidiary. They are supervised by the Ministry for Trade and Industry. *Finnfund Ltd* is a company owned mainly by the Ministry for Foreign Affairs. Finnfund issues funding for investments in developing countries, as part of the Finnish Official Development Aid (ODA), administered by the Finnish Ministry for Foreign Affairs. *Finnish Export Credit plc (Suomen Vientiluotto)* was re-established in 2000. It operates under the auspices of the Ministry of Finance and offers export credit and concessional credits. Guarantee from *Finnvera plc* is needed for these credits. Funding for the concessional credits is approved at the Ministry for Foreign Affairs and it has to conform with the official development aid policy. The transparency level of *Finnvera/Fide* and *Finnfund*

are analyzed in this study, since they carry the final responsibility of the official export credit decisions.

Finnvera plc was founded in January 1999, when the Kera Corporation and the Finnish Guarantee Board merged. Its share capital is 188.2 million euros and balance sheet total 1 400.7 million euros. At the end of 2001 Finnvera plc's outstanding commitments of export credit guarantees and special guarantees were 3240.5 million euros, with credits of 1 182.2 million euros and guarantees for 491.2 million euros. Finnvera offers loans, guarantees and export credit guarantees. Finnvera provides export credit guarantees for export companies and their lenders to solve the need to protect against political and commercial risks of export financing and international investment.

These ministries are represented at the Board of Directors: the Ministry of Trade and Industry; the Ministry of Finance; the Ministry of Labour, and the Ministry for Foreign Affairs.⁹

Fide Ltd and Finnvera have recently merged their management for cost-efficiency reasons. Fide is responsible for the sector of interest-equalization for officially supported export credits and shipping credits. When a Finnish exporter or buyer has been issued by a Finnish financial institution a fixed-interest OECD-term credit, Fide can issue to the financier the interest-equalization to cover the potential risk of volatility in the interest rate. Fide does not disclose information on the projects it has funded. Only information on the concessional credits is divulged, based on the Act of Openness of the Government Activities.¹⁰

According to *Finland's strategy for development co-operation for the 1990's (1993)* sustainable development has been stated as one of the main goals. Also the *Decision-in-Principles on Finland's Development Co-operation (1996)* commits Finland to follow policies that ensure and promote sustainable development in the developing countries. In the Finland's Policy on Relations with Developing Countries approved by the Government in 1998 the objective is coherence in foreign affairs, trade and development cooperation (Valtioneuvosto 15.10.1998). The Finnish Ministry for Department for International Development Co-operation has published *Guidelines for Program Design, Monitoring and Evaluation (1997)*. These guidelines emphasize the importance of environmental impact assessments in the development co-operation and funding strategy. Transparency promotes and facilitates sustainable development. The lack of transparency of Finnfund is in contradiction to this goal.

Finnfund (The Finnish Fund for Industrial Cooperation Ltd) is a limited liability company, founded in 1980. Its shares are owned by the government (79.9%); by Finnvera (20%) and by the Confederation of Finnish Industry and Employers (0.1%). It operates under the administrative auspices of the Development Cooperation Unit of the Ministry for Foreign Affairs. Finnfund finances companies, in which Finnish interest is involved, that are established and operating in developing countries. The Act on Finnfund from 1979 states that the company shall promote the economic and social development of countries that are classified as developing countries "by directing human and material resources to the development of the industrial and other corporate activity of these countries."

Finnfund's mission is promote, in a sustainable and socially responsible manner profitable private business activity in emerging countries, according to the goals of the Finnish Development Aid. At the end of 2001 the effective commitments were USD 161 million.¹¹

⁹ *Finnvera Annual Report 2001*, (Helsinki 2002) passim.

¹⁰ www.fide.fi

¹¹ *Finnfund Annual Report 2001*, (Helsinki 2002)

Finnvera states: “Our environmental requirements and assessments are at least at the same level as our toughest competitor countries”.

Although Finnfund emphasizes its commitment to high ethical practices, Finnfund and Finnvera belong to the group of ECAs that supports the lowest level of transparency. Both institutions have refused to give information on its project funding, despite the growing concerns about the damage that the projects may cause in the recipient country. (See chapter 1.1.) However, Finnfund discloses some information on a few selected projects in its Annual Report.

Finnvera was among the 24 out OECD countries that signed the agreement for Common Environmental Standards in November 2001 (See chapter 6.4.) The agreement does not bind the countries to transparency nor social impact evaluation in their environmental assessment. The United States refused to sign the agreement, due to its low environmental standards and the lack of requirements for social impact assessment and transparency.

In its Annual Report Finnvera expresses its commitment to environmental and social development and transparency in the following fashion: “International development of environmental responsibility is the central factor underlying Finnvera’s environmental policy”. Finnvera refers to the OECD Arrangement (1978) and to the Agreement on Common Environmental Guidelines (2001) (See chapter 6.4.). Finnvera also cites the danger of having to reveal business secrets as counteracting transparency. Yet there are international examples of transparency, without revelation of business confidentiality. Finnvera claims that they conduct proper EIA and are at least as responsible for sustainable decisions as their OECD ECA competitors. Finnvera states: “Our environmental requirements and assessments are at least at the same level as our toughest competitor countries”.¹² Finnvera also refers to the extensive measures it applies against corruption. The project sponsors must sign an affidavit that at no stage of the project will corruptive practices be implemented nor tolerated.¹³ However, as long as no project information is disclosed, there is no way to confirm the professional level of the environmental assessments nor any proof that signing of the affidavit will eliminate corruption.

Finnvera and Finnfund have been requested by the Finnish ECA Reform Campaign (see chapter 2.2.) to improve their level of transparency by disclosing the reports on environmental and social impact assessments prior to the decision making. Finnvera and Finnfund claim that they act in compliance with the Finnish legislation on information disclosure of government activities.

The legal framework for export credit in Finland consists of the two abovementioned Acts (422/2001 and 443/1998) and is supervised by three ministries, Ministry of Trade and Industry; the Ministry for Foreign Affairs, and the Ministry of Finance.

The export guarantee law was revised in 2001. After the law came to effect in July 01, 2001 the Ministry for Trade and Industry set a committee to solve the paradox between the requirements of the two laws. The new export guarantee law calls for submission, under the

¹² Finnvera, *Environmental policy for export credit guarantee policies*, www.finnvera.fi, passim.

¹³ Finnvera, *Bribery of Foreign Public Officials*, www.finnvera.fi, passim.

Act of Openness of Government Activities the information on Environmental Impact Assessments (EIA). At the same time the act call for respect for the bank secrecy from publicity. For its report he committee had to consider three alternatives:

1. Immediate disclosure of the EIA information after it has arrived at Finnvera.
2. The EIA information would be published after the guarantee decision has been made, but on the consent of the exporter.
3. Maintaining the current system of non-disclosure of the EIA information.

The report was distributed for comments. The comments were solicited mainly from the traditional stakeholders, but two NGOs received the official request to give comments as well. In addition the committee received unsolicited statements from some other NGOs.

In its report the committee proposed for acceptance the second alternative that was a compromise between the three options. The Finnish Association for Nature Conservation; Friends of the Earth Finland; The Finnish League for Human Rights; The Nature League, and The Advisory Board for Relations with Development Countries together with Ministry for Environment all supported the first alternative of immediate disclosure. The industry, Finnvera and other stakeholders supported the third option of maintaining the status quo. No one supported the second alternative of publishing information after the decision has been made.¹⁴

The Ministry of Trade and Industry forwarded the proposition to the Ministry of Justice. The Ministry stated as its position that the Act on Bank Secrecy and the Act of Openness should be treated equally. The Ministry for Trade and Industry is now waiting for the comment by Finnvera, after which they will solve the question.¹⁵

The question remains – why do the relevant decision makers in the ministries and on the on Boards of Directors of the companies keep Finland from not aiming at the highest transparency standards set by majority of OECD ECAs and the international financing institutions (EBRD, EIB, World Bank)? What are the real costs of this non-disclosure policy?

2.2. The Finnish Civil Society Reaction – the Finnish ECA –Watch

The Finnish campaign to reform ECAs dates back to 1991. Throughout the years the active non-governmental organizations NGOs have maintained a sporadic dialogue with Finnvera, formerly the Finnish Guarantee Board.

The Finnish ECA Reform Campaign, Kansalaisjärjestöjen vientiluottokampanja was established in 1999. The campaign has been active in the international ECA-Watch movement (See chapter 5.). Despite its scarce resources, the campaign was able to organize a seminar and establish an ongoing dialogue between NGOs and Finnvera and the Ministry for Trade and Industry. In December 2001 the campaign received a grant from the US -based Mott Foundation, and was able to establish a campaign office, hire a full-time coordinator and publish different campaign material. The steering committee of the campaign comprise of activists from several Finnish NGOs (The Finnish Association for Nature Conservation; Friends of the Earth Finland; The Finnish League for Human Rights, The Coalition for En-

¹⁴ Tove Selin, *"Vientiluottolaitosten hämärä maailma"*, Helsinki, 2002, passim.

¹⁵ Tove Selin in personal communication with Risto Paaermaa, Ministry of Trade and Industry, August 12, 2002.

vironment and Development and The Nature League. In addition to the steering committee there is an expert group with experts from relevant ministries, trade unions and the semi-governmental Advisory Board for Relations with Development Countries. The campaign has publicized information on several export credit projects that have caused concerns as to their environmental and social impacts and for the lack of transparency.

The following two cases show how complicated environmentally sensitive projects can be. They also show how a company can endanger its good reputation, and accumulate increased costs if they participate in projects that are counter to internationally accepted environmental and social impact norms. Transparency and proper disclosure of information would eliminate doubts about the quality of involvement of the ECAs and project sponsors.

The Hin Krut coal-fired power plant, Thailand and Fortum

This case reflects the reality of the export credit process and show the wide range of problems that may be involved in an extensive export project. The Hin Krut power plant project has received wide negative attention from international and Finnish environmental and human rights activists.

The initial plans for the Hin Krut coal-fired power plant were approved by the Thai government in 1997. The Finnish government-owned energy company Fortum was a partner in the Union Power Development Company (UPDC) that was the main driving force behind the Hin Krut power project. The Finnish export credit agencies (Leonia, Finnvera) were involved in the project as well. In February 2000 Fortum announced that it will withdraw from the project in due to “concentrating on projects in northern Europe”. However, in a meeting with Finnish NGOs, its personnel unofficially admitted that it was because of the local opposition. It took Fortum two years to formalize the sell of its 17.46% share in UPDC.¹⁶ The price for the sale has not been disclosed. In May 2002 the Thai government finally announced that the building permit to construct the Hin Krut and another coal-fired plant Bo Nok was postponed at least for a couple of years due to the diminished energy demand.¹⁷



TIMO KUJONEN / KEPA

This is the site of the proposed Hin Krut coal-fired power plant.

It took Fortum two years to formalize the sell of its 17.46% share in UPDC.¹⁶ The price for the sale has not been disclosed. In May 2002 the Thai government finally announced that the building permit to construct the Hin Krut and another coal-fired plant Bo Nok was postponed at least for a couple of years due to the diminished energy demand.¹⁷

The opposition from both local residents and nationally caused a four-year delay in the project implementation. This increased the investment cost from USD 1.2 billion to \$1.3 billion dollars. Of the increased cost, \$80 million will be used for environmental management. The grounds for the opposition are fears of extensive environmental and social damage caused by the power plant. The first environmental impact assessment EIA was approved in May 1998. Since the EIA failed to identify coral reefs near the site, further work on the EIA was required. Second EIA, which included information about the coral reef, was ap-

¹⁶ Fortum, “Fortum Sold Its Share in a Thai Hin Krut Power-plant Project” (in Finnish), Press Release, Helsinki, October 5, 2001

¹⁷ Ythana Praiwan and Yuwadee Tunyasiri, “B11 billion bill to scrap two plants”, *Bangkok Post*, 11 May 2002.

proved in October 2000. Local people still oppose the EIA on the basis of incorrect information on the number of fishers and inadequate study on impact to fishery.

The Finnish and international NGOs have been active in bringing the potential environmental impact of the project into the attention of Finnish decision makers. In September 1999, the Service Centre for Development Cooperation (KEPA), a Finnish NGO organized a seminar in Helsinki to discuss the UPDC project and gathered an audience of NGOs, activists, industry, government representatives. In 1999 Finnish NGOs met with four ministers, government officials, directors of boards of Fortum, Leonia and NIB banks and Finnvera, parliamentary groups of various political parties and the media in Finland.

This case shows the importance of demanding a professionally and independently conducted environmental and social impact assessments and stakeholder consultation and information disclosure. The financial loss that the involvement and withdrawal from a project of this scale must have generated remains a business secret. However, public funding was involved in it and that makes it part of the business policy of the Finnish government.

Aracruz Cellulose S.A., Brazil and Stora Enso

The forestry sector and its operations can, in addition to environmental impacts, cause severe human rights problems. The case of Stora Enso and the Aracruz Cellulose in Brazil show that non-disclosure of proper and relevant information on the impacts of the operations is causing damage to the company's reputation on an international scale.

Aracruz Cellulose runs a pulp-mill in Espirito Santo and southern Bahia that is the world's largest producer of bleached eucalyptus-pulp. The mill has been planned by the Finnish consulting company Jaakko Pöyry and it has been equipped by Finnish industry. The plans and equipment for the current enlargement is also conducted by Jaakko Pöyry and Finnish industry. In 1997 a 11 million USD export credit was granted for export of Finnish equipment to the pulp-mill. Due to non-disclosure, there is no proof that Finnvera guaranteed this credit, but it would be odd deviation, if that would not have been the case. The lack of transparency generates and maintains national and international allegations, doubts and suspicions on the Finnvera's and Finland's export guarantee policy of not respecting the environmental and social effects of big industrial projects.

The widely reported negative environmental and social impacts of the large monoculture eucalyptus plantations that are needed as raw-material for the pulp-mill have been in the limelight of international civil society. The extensive and continuous protests and campaigns both by local inhabitants; local and international activists and NGOs claim that the land given to the plantation was stolen from the local people. Local rain forests have been cut down for eucalyptus plantations and it has caused irreversible damage to the environment. The monoculture plantations have negative impact on water, soils and biodiversity, which in their turn have a negative impact on the local people's livelihoods. The plantations have not, despite the original promises, created jobs, but caused net employment losses in the region.¹⁸

The Finnish-Swedish forestry company Stora Enso is involved in this project through its share in Veracel, a company that has aggressively acquired the land for plantations. This involvement has

¹⁸ The World Rainforest Movement Ricardo Carrere "The environmental and social effects of corporate environmentalism in the Brazilian market pulp industry". World Rainforest Movement. The paper was prepared for the workshop on "Business Responsibility for Environmental Protection in developing Countries" organized by the United Nations Research Institute for Social Development (UNRISD) and the Universidad Nacional (UNA), Costa Rica, September 1997

Thousands of demonstrators at the opening of the third phase of the Aracruz Cellulose.



ALERT AGAINST THE GREEN DESERT MOVEMENT, BRAZIL

caused worldwide negative reputation for Stora Enso for ignoring the human and environmental rights of the local inhabitants. The Finnish government-related share of Stora Enso amounts to 13.9% that yields 32.9% of the voting rights. That makes the Finnish government the biggest single owner of the company and responsible for the ethical conduct of Stora Enso. Stora Enso claims in its Principles for Corporate Social Responsibility that it complies with the principles of sustainable development, including social, environmental and economic aspects. The codes do not mention outside monitoring, which would verify the practical implementation of these principles.¹⁹

2.3. Disclosure practices in other countries

The transparency strategies vary from ECA to ECA. The importance of comprehensive guidelines for environmental and disclosure and public consultation/stakeholder participation has been recognized by ECAs. However, a closer look at the guidelines reveals that the wording in the texts of the majority of ECAs reflects lack of definite commitments to binding transparency policies. The loose wording compromises both the spirit and the intention of the guidelines and leaves too much for interpretation. This allows volatile implementation of the guidelines. The wordings “we support”, “will press for reform”, “will in certain cases”, “as open as possible”, “transparency of the decision-making process is an objective of the government”, “we encourage project sponsors to make environmental information publicly available” are found in abundance in the statements. EDC, the Canadian ECA describes the problem: “An effective disclosure policy hinges on the need to balance the desire for more information with the need to protect the commercial interests of customers”.²⁰ The guidelines make it clear that majority of ECAs are not willing to disclose information prior to the funding decision and some not even after it. Yet there are examples of ECAs and international financial institutions (IFI) that supply information on projects prior to decision-making, without divulging business secrets (see chapter 6). For the ECA it is a question of choice between transparency and withholding of relevant information.

For detailed descriptions of ECAs and their transparency and disclosure policies see chapter 6.4.

¹⁹ www.storaenso.com, passim.

²⁰ www.edc.ca

3. Competitiveness

“Resisting innovation will lead to loss of competitiveness in today’s global economy”. These words of professors Michael E. Porter and Claas van der Linde should act as guidelines to ECAs and make them realize that resisting transparency and information disclosure means resisting innovation.²¹ Is this the impression the industrialized countries want to create of themselves? Is this what the Finnish government wants to support?

ECAs are deeply concerned about their competitiveness. The guidelines of many ECAs emphasize the importance of providing a “level playing field” for the exporters of their own country against other nations. Judging from the information divulged by majority of ECAs, promoting national advantage in export trade seems to be a justification for non-disclosure. Information disclosure is suspected to hinder the closing a profitable deal. ECAs emphasize in their information, guidelines, mission and values the importance of being competitive and ensuring the “level playing field” for themselves.

The factors used for judging the competitiveness of a country vary. Prime Minister Paavo Lipponen of Finland stated in July, 2002: “Finland’s competitiveness requires a completely new way of thinking.”²² This summarizes well the need for change of paradigm in judging competitiveness. The increasing weight of the internationally adopted principles and guidelines for transparency has not been fully realized by many ECAs. In addition to the increased global demands for transparency, the newly emerged phenomena of critical civil society has added pressure for openness at all levels in the society. The active and empowered civil society is posing a strong challenge to the traditional concept of reserving a level playing field for industrialized countries only. They are asking “whose playing field?” and “who defines the rules for the game played on it?”

Peter Woicke, the Executive Vice President of the International Finance Corporation IFC (World Bank Group) presented his view in May 2002 on competitiveness and sustainable development of financial institutions that work with emerging markets:

“Here I want to be a little bit provocative. Generally speaking, we are told that the multilateral development banks should not compete with one another. And that makes sense on a number of levels. We don’t want duplication of bureaucracies. We don’t want the development banks to be judged simply by the growth of their lending – regardless of whether it is good or bad. And we don’t want the development banks to undercut each other on environmental and social standards.

But I think sustainability is one area where it would be great to see a little bit of competition. I would love to see the development banks compete with one another to offer the best environmental and social expertise, the best community development, the most efficient energy technologies, the most renewable energy technologies, and the most innovative environmental financing. I think that is one competition that would benefit everyone.

The key here is to do it within “the business case.” It should face a market test. Investments that increase both profitability and sustainability should be the goal. I am convinced that this is the way to

²¹ Michael E. Porter and Claas van der Linde, “Green and Competitive, Ending the Stalemate”, *Harvard Business Review*, September-October, 1995: 132

²² Paavo Lipponen, Column, *Turun Sanomat*, July 12, 2002

*go. What would be the consequences? Our clients – the governments, businesses, and civil society partners of the developing nations – would reap enormous benefits.”*²³

Export credit is a system that by definition can cause distortion in fair competition. The state guarantee ensures returns to the companies even though they have not implemented proper due-diligence to the risks analysis in the project plans. This “free-ride” does not encourage corporations to come forward and disclose information on the projects before the decision is being made. Instead it paves the way for quick-fix solutions instead of properly conducted risk analysis. Transparency and due-diligence may postpone or delay project implementation and add to the costs.

Several official statements and communiqués emphasize the need to eliminate fiscal policies that may distort trade. The report of G7 the Finance Ministers at the Economic Summit in Cologne in June 1999 stated:

*“Enhancing transparency and promoting best practices: The availability of accurate and timely information is an essential ingredient for well-functioning financial markets and market economies. Such information is necessary for market participants and should be used by them to make good decisions. It also provides greater incentives for policy-makers to implement sound economic policies. Improved information will help markets to adjust more smoothly to economic developments, minimize contagion and reduce volatility.”*²⁴

The more ECAs promote and implement transparency and disclose relevant information the more competitive they will become in the long-term. Admitting the fact that there are other than purely financial indicators that are profitable to their business, will provide the business leaders a wider range of effective tools. Economic and financial instruments play a crucial role in increasing sustainable development in any country.

Within the European Union the transparency of investment markets is lacking behind that of the United States. If EU wants to compete as an investment target, it has to open its markets and add transparency and information disclosure practices. In Europe the financial and investment markets are traditionally run by the banks and corporate heads; in the United States investment markets are more open and investor driven.²⁵ This has a long-term effect on transparency practices of the European ECAs. The more transparent they become the more they gain investors' confidence and their funds.

Both institutional and private investors are becoming more and more aware of the need for ethics in the investment markets. Improved public information disclosure enhances the ability of investors to conduct ethical investment decisions. Investors have to rely on the information that the corporation divulges. If the investor does not trust that he will receive all relevant information, especially of the risks involved, his reaction is to move on to the next potential investment target. By not disclosing fully the potential risks that are involved in the ECA funded projects, the ECAs and project owners risk their own attractiveness as a target for investment.

²³ Peter Woicke, “Are We Minding the Gap? Business and the challenge of Sustainable Development”, (a presentation at the IFC-Financial Times Conference, London, England, 28 May, 2002)

²⁴ www.g7.utoronto.ca

²⁵ Interview, Petri Rouvinen, Ph.D, Research Director, Etlatieto Ltd., Helsinki, June 11, 2002

4. Corruption

Lack of transparency and non-disclosure of relevant information facilitate corruption. Corruptive behavior is a serious consequence that is detrimental to every party concerned and it undermines democratic and sustainable development. Corporations may think that a little corruption here and there is, although deplorable, not very serious, because it helps to bring in short-term profits. Yet the negative effects of corruption and bribery are long-term and long-lasting, especially in developing and emerging economies. Corporations do not realize that undemocratic societal development will increase unstable conditions in the country and deprive both countries and corporations of healthy business opportunities. Corruption adds to the risks brought by globalization.

The civil society is concerned about the potential for corruption and bribery that the low level of transparency in officially supported export credit system facilitates. NGOs have expressed their concern to many official bodies and stressed the importance of continuing vigilance against corruption. Many ECAs ask the project applicant to sign a declaration that they nor any on their behalf, will be engaged in corruptive measures or offer bribes. The OECD Convention to Combat Bribery is used as a basis for this action. However, if very step and every subcontractor of the project are not carefully and objectively monitored and verified, a declaration is not sufficient proof for the absence of corruption. NGOs quote sample cases of ECA funded projects that have been run by companies that have allegedly been involved in corruptive practices, despite their guidelines denouncing ECA guidelines.²⁶

4.1. Consequences

Corruption has an impact on the development of the global financial markets and foreign direct investment (FDI). There are different opinions about the benefit of FDI to the developing countries. However, when applied in socially responsible and transparent fashion: “FDI is vitally important to developing countries, as a source of scarce capital and as an important conduit for the transfer of technological and managerial know-how. Corruption may hinder a country’s ability to absorb the beneficial side of globalization, by reducing foreign direct investment (FDI).²⁷

Corruption is a major impediment for the economic progress of a country. For companies that consider investing in the country corruption works as an additional tax. Research shows that when the company moves from a country with low corruption level to one with high corruption level, it has the same negative effect on the incoming foreign direct investment as raising the corporate tax by fifty percent. Corruption acts like a tax to the foreign investing companies, but it does not generate any tax revenue to the government.²⁸

²⁶ The UK ECA, ECGD gave BAe (British Aerospace) a guarantee of £ 1,679 billion for the sale of 12 Hawk jets to South Africa in the late 1990’s. The sale has been heavily criticized with allegations of corruption and improper influence in this sale. A former South-African defence-minister intervened to change the tender evaluation in mid-way from a costed to non-costed option. This allowed the Hawk jets to be sold by BAe, although they cost £ 450 million more than the closest competitors price. Source: Sue Hawley: “Still Underwriting Corruption. The ECGD’s recent record”, paper prepared for the seminar “Beyond Best Practice”, House of Commons, London, May 23, 2002

²⁷ Shan-Jing Wei, “Why is fighting corruption so crucial for embracing globalisation?”, *Global Corruption Report 2001*, (Berlin: Transparency International, 2001)

²⁸ Ibid.

The Dow Jones Sustainability Group Index (DJSGI) is the first global benchmark for sustainability investments. The 2000 DJSGI Index (figure 1.) shows the share of companies that prohibit their employees to offer bribes to foreign officials.²⁹ The ranking of the “cleanest” countries follow the list of countries with ECAs that promote and pursue public disclosure most actively (see Chapter 7)

Table 1. The share of companies (%) that prohibit employees to offer items of value to government officials as part of their corporate code of conduct

US	82
Canada	78
Japan	66
Australia	65
(Europe	56)
(South America	50)

4.2. High Bribery Sectors

The 2001 Environmental Sustainability Index (ESI) shows a striking correlation between the level of corruption and environmental outcomes: the higher level of corruption in a country, the lower the level of environmental sustainability.³⁰

The business sectors and industries that are most prone to corruption correlate with the industries within which the most environmentally and societally sensitive ECA projects fall. In the figure 2. the higher the score, the less bribery is involved.³¹

Table 2. Business sectors most prone to bribery

Sector	Score
Public works contracts and construction	1.5
Arms and defence industry	2.0
Power (incl. petroleum and energy)	3.5
Industry (incl. mining)	4.2
Health care/social work	4.6
Telecommunications/post	4.6
Civilian aerospace	5.0
Banking & finance	5.3
Agriculture	6.0

²⁹ SAM Group and Dow Jones, ed. “Benchmarking corruption practices: the Sustainability Group Index”, *Global Corruption Report 2001*, (Berlin: Transparency International, 2001)

³⁰ Marc A. Levy, “Corruption and the 2001 Environmental Sustainability Index”, *Global Corruption Report 2001*, (Berlin: Transparency International, 2001)

³¹ Transparency International, “1999 Bribe Payers Index”, *Global Corruption Report 2001*, (Berlin: Transparency International, 2001)

4.3. Cost of Unethical Practice

Ethical business practices and transparency promote healthy democratic development. Democratic development generates stable conditions for fair global trade and investment. In the long term, a company or an organization that is committed to ethical values and transparency is the winner. It will be in control of its business activities and not be at the mercy of competitors trying to spread misinformation about the company's conduct. With ethical conduct and commitment in place, the corporation can concentrate on what it is best at, its business operations, making a profit and maintaining a healthy bottom line.

The NGOs and human rights activists use transparency as their tool by actively publicizing news of unethical conduct of companies. In this they use very effectively various strategies, among them the Internet. Operations of many ECAs and multinational corporations in developing countries have been put under international scrutiny by these groups. They demand the companies to have appropriate codes of conduct and by transparency prove that they implement them as well.

Non-disclosure facilitates black-painting of the company by outside actors. Guidelines or codes that promote ethical business practices are one way for the organization to prove their commitment to ethical business practices. Publication of the codes and allowing outside independent experts to monitor compliance to the guidelines enhance the company's reputation as a trustworthy business partner. The absence of the ethical guidelines and non-disclosure exposes the company to outside critique. The risk of being publicly criticized can be described as seen in figure 3. which is based on the observations of the author of this report.

Table 3. Disclosure Practices of Companies' Ethical Codes of Conduct and Their Impact

COMPANY I

PUBLIC VISIBILITY:	High
COMPANY SIZE:	Major Actor in the Industry
PREPARATION OF CODES:	Volunteer
ADVERTIZING OF CODES:	Open and Active
PUBLIC IMAGE:	Positive; Trailblazer
PUBLIC REACTION:	Subject to Criticism and Vulnerable Due to Openness

COMPANY II

PUBLIC VISIBILITY:	High
COMPANY SIZE:	Major Actor in the Industry
PREPARATION OF CODES:	Involuntary; Done Under Pressure from Outside
ADVERTIZING OF CODES:	Done Actively Due to Pressure from Outside
PUBLIC IMAGE:	Tarnished; A Repenting Sinner
PUBLIC REACTION:	Subject to Criticism Due to Non-Disclosure

COMPANY III

PUBLIC VISIBILITY:	Low but Increasing
COMPANY SIZE:	Medium, but an Emerging Major Actor in the Industry
PREPARATION OF CODES:	Volunteer
ADVERTIZING OF CODES:	Non-Disclosure
PUBLIC IMAGE:	Neutral
PUBLIC REACTION:	Subject to Budding Criticism Due to Non-Disclosure; Less Vulnerable Due to Non-Disclosure

COMPANY IV

PUBLIC VISIBILITY:	High
COMPANY SIZE:	Small with Selective Line of Products
PREPARATION OF CODES:	Volunteer
ADVERTIZING OF CODES:	Open and Active
PUBLIC IMAGE:	Positive
PUBLIC REACTION:	Subject to Criticism and Vulnerable Due to Openness

COMPANY V

PUBLIC VISIBILITY:	Low to None
COMPANY SIZE:	Small
PREPARATION OF CODES:	Volunteer
ADVERTIZING OF CODES:	Non-Disclosure
PUBLIC IMAGE:	Neutral to Low
PUBLIC REACTION:	Not Subject to Criticism Due to Smallness

No company fits perfectly into any category, but the characteristics are indicative of the effects of transparency and non-disclosure. The following examples of three major companies illustrate implications of different disclosure practices:

1. In the first category Fortum, the Finnish state-owned energy corporation acts as a sample company. It has won international reputation for systematic environmental reporting. In 2001 Fortum withdrew from the environmentally controversial Hin Krut coal fired power plant project in Thailand. (See chapter 2.2.)
2. In this category two companies could be named. Royal Dutch Shell, the Dutch/British world's biggest oil-company and NOKIA, the world's biggest mobile phone manufacturer, from Finland.
 - In 1996 Shell came under a worldwide boycott for its neglect of human rights and environmental issues, especially in Nigeria. The chairman of Shell admitted publicly in 1996 that the company had made far-reaching mistakes in its strategic decisions concerning its operations in the North Sea and Nigeria. This resulted in changes in the company's strategy, ethical codes of conduct and commitment to transparency and human rights in their operations.
 - NOKIA refused systematically to disclose publicly its ethical codes of conduct. In 2001, after public criticism for passivity in ethical practices, NOKIA chose to publish the codes and to hire a manager for ethical issues.³²

“Corruption acts like a tax to the foreign investing companies, but it does not generate any tax revenue to the government.”

³² Risto Malin, "Markkinat puristivat Nokian etiikan esiin", *Talouselämä* 18, May 11, 2002

4.4. Accountability: Who Pays?

The ECAs and companies are facing the relatively new, but growing concept of accountability. To whom are the ECAs and companies accountable for their operations – to the clients or to the public? How to juggle between the two different approaches to transparency, that of the private and the public sector? The two organizational cultures, government and private, may be in conflict. This “unholy alliance” of public vs. private sector practices has to be faced and solved, otherwise it will continue to generate controversial actions, especially if the more secretive private practice is being adopted. Taxpayers are more and more concerned where their money is being put. The political decision makers play a crucial role in promoting transparency.

The survey on bribe-paying by the leading exporting countries also surveyed the role of the government. Respondents were asked “what other means” governments used to give their companies “unfair” business advantages over companies from other countries. The range of reported practices included: diplomatic and political pressure, commercial pressure, dumping, financial pressure, tied aid, official gifts, and tied defense and arms deals. The US government was perceived to be by far the most likely to engage in such “unfair” practices. After the US, the governments most likely to use unfair practices were France, Japan, China, Germany, and Italy.³³

The current trend in the United States of bringing legal action against multinational companies has not been given much publicity in Finland. Professor Elliot Schrage discusses this in his article in Washington Post and paints a picture of a new kind of global justice that is starting to become effective. American multinational corporations are being sued in the US for being involved in human rights abuses in projects in the developing countries. American judges are holding multinational corporations responsible for perceived abuses that result from international trade and investment. Whether or not the judges fully recognize it, this activism is turning out to be as much a threat to the makers of U.S. foreign and trade policy as it is to corporate executives.

“In June, 2002, a California state court removed the final obstacles to a trial of Unocal – one of America’s largest oil and gas exploration companies – to determine its responsibility for human rights abuses during the construction of a natural gas pipeline in Burma, also known as Myanmar. The \$1.2 billion project, completed in 1998, was a joint venture involving Unocal, the French oil giant Total, the Petroleum Authority of Thailand and Burma’s military government.”³⁴ The ECA-Watch has reported of a case where Unocal is involved in an oil-drilling project in East Kalimantan in Indonesia. The local population has been vocal in expressing the serious negative environmental and social impacts and human rights

“Publicity is the best disinfectant.”

³³ Transparency International, “1999 Bribe Payers Index”, *Global Corruption Report 2001*, (Berlin: Transparency International 2001)

³⁴ Elliot Schrage, “A Long Way to Find Justice”, *The Washington Post*, July 14, 2002

abuses that the project has caused. OPIC, the American ECA has funded this project. The local activists have claimed that the consultation of the local stakeholders that OPIC conducted, was not done properly and with full due-diligence.³⁵

If ECAs continue ignoring the concept of transparency, they may be drawn into legal action, based on their involvement as credit financier. ECAs co-operate on projects with each other and that makes them affiliates in any legal action generated by the project.

This shows that the universality of responsibility that globalization has brought along has had little or no impact on the traditional government practices of putting the national interest first, at any cost. The pattern is changing, however. Disclosure of more and more often the governance practices of governments, ECAs and corporations makes them accountable for their actions. Publicity is the best disinfectant.

Globalization has made the financial and investment markets more and more complex and challenging to all actors in the market. Disclosure of timely and relevant information is vitally important for the stability of the investment markets. The recent revelations of distorted business and accounting practices in the United States (Enron; WorldCom; Merck) have increased the demand for transparency. Honest business actors suffer from the alleged misdeeds of their fellow companies. Consistent transparency will help companies to save their good reputation and maintain the investors' interest.

³⁵ Jaringan Advokasi Tambang JATAM letter to Harvey Himberg, February 14, 2002

5. The World Today

Globalization has changed radically the economic and social environment where transnational actors and corporations operate. Globalization has opened national boundaries to international trade and investment flows. Seiichi Kondo, Deputy Secretary General of the OECD has stated: "...we have seen an unprecedented proliferation of the market economy and private capital, a power shift from states to markets, and a rise in the power of civil society." x) These new actors in the global market are forging a change of paradigm, which increases demands on the of transnational corporations and investors for transparency, social responsibility and accountability in their trade and investment transactions.

Professor John Gray from the London School of Economics argues that: "There is nothing in today's global market that buffers it against the social strains arising from highly uneven economic development within and between the world's diverse societies. The swift waxing and waning of industries and livelihoods, the sudden shifts of production and capital, the casino of currency speculation – these conditions trigger political counter-movements that challenge the very ground rules of the global free market."³⁶

Everywhere in the world the civil society or, in other words, NGOs (non-governmental organizations) have been activated like never before. The international and local movements are challenging the centralized powers and privileges of governments in the less industrialized parts of the world. The groups are motivated by the desire for greater control over the decisions that affect their lives and especially their economic resources. It is fairly safe to predict a process of political decentralization if not fragmentation if central governments fail to meet grievances of local populations and lack to resources to control them coercively.³⁷

Today ECAs and their projects are becoming targets of criticism from NGOs, environmentalist and other movements. This is due to the project owners' and ECAs' low interest in transparency and in environmental, social and human rights of the affected populations. The less transparency is being applied to the project planning and funding, the more the projects generate suspicion among vigilant local and international NGOs.

The most active international movement criticizing the current export credit system is the campaign called "ECA Watch". It was initiated by concerned NGOs in 1996 and has participating NGOs worldwide. The campaign has worked actively to reform the export credit agencies and the campaign activists represent the civil society at large. The ECA-Watch keeps monitoring the actions of ECAs worldwide and publishes reports on their actions. The ECA-Watch refers to the export credit system as "a Race to the Bottom, because ECAs fund practically any project". The campaign urges the ECAs to publicize the environmental and social impact assessment prior to the funding decision, so that the affected population can be consulted and potential harm be avoided. The goals of the ECA-Watch are expressed in

³⁶ John Gray, *"False Dawn, The Delusions of Global Capitalism"*(Great Britain: Granta Books, New York: The New Press, 1998)

³⁷ Paul Martin "Are Governments and Corporations Prepared for the New Face of Democracy in Developing Countries: Local NGOs?" article, *The Center for the Study on Human Rights*, Columbia University, New York, December, 2000

“It is safe to predict political decentralization and fragmentation if governments fail to meet the grievances of local populations.”

the Jakarta Declaration for Reform of Official Export Credit and Investment Insurance Agencies that was adopted in Jakarta in May 2000, and has been endorsed by over 300 international NGOs by now (Appendix II)

The active civil society is often seen as the trailblazer of the demands in making globalization a fair process for everyone. However, the process has not been triggered and should not be seen as demands of a specific group only. The urge of requirements for information disclosure in the export credit system conforms with the current international demand for transparency, environmental and social sustainability, and human right policies. It is also in line with the universally accepted norms for successful development aid that will enhance democracy and economic and societal stability in recipient countries.

6. Present Setting in the Export Credit System

6.1. The Projects

The uniformly expressed mission of ECAs is to support and promote the export trade of their own country. It is also expressed as being part of the country's official foreign trade.

The projects that ECAs issue credit to, vary from replacing parts of machinery to ones with major impacts to the infrastructure. Projects have been divided into categories and that determines the need for different impact assessments. The potential need for Environmental Impact Assessment (EIA), Environmental and/or Social Impact Assessment (SIA) is based on the project category. Although there are different ways of categorizing the projects, the most commonly used practice is to use three categories, A, B and C:

Category A: Major projects in industries (infrastructure, oil and gas, mining, forestry, transportation etc) that are deemed to have significant environmental and societal impacts. EIA and SIA are required. The applicant is responsible for the assessments.

Category B: Projects that are deemed to have potential environmental impact and usually require EIA and SIA to be conducted, but the extent of the assessments varies, case by case.

Category C: Projects that have very few or no impacts; environmental and social impact assessments are required case by case.

The ECA Watch and other NGOs have expressed their concern for the current project categorization and its effect on requirements for environmental and social impact assessments and information disclosure. Their concern is that the categorization by industries does not correspond to the need to conduct EIA and/or SIA and projects are given green light without proper environmental and social impact assessments.³⁸ The industry-based categorization should be revised and every project evaluated case by case, when it comes to impact assessments and risk analysis.

6.2. Assessments

The concept of environmental impact assessment and transparency have become universally more and more acceptable after the Final Act of the UN Environment and Development Conference held in Rio de Janeiro in 1992. This development has been instrumental in introducing environmental conduct as an integral part of all walks of life at international level. The ensuing Rio Declaration and its action Agenda 21 have given structural support to the development of guidelines for environmental assessment and it has become an integral part of the global rhetoric. This development is paving the way for a constructive dialogue between governments, corporations and environmental advocates. The UN/ECE

³⁸ Tove Selin, "Vientiluottolaitosten hämärä maailma", Helsinki, 2002

Convention on Access to Information, Public Participation in Decision-making and Access to Justice (The Aarhus Convention, see chapter 2.) links the requirement for transparency and information disclosure with environmental and social assessments and human rights.

All ECAs have environmental policies and they require that environmental impact assessment (EIA), the less extensive environmental impact (EI) or social impact assessment (SIA) will be conducted on the project. Disclosure of these assessments publicly to all stakeholders is a stumbling block for many ECAs. However, without disclosure and stakeholder participation EIA, EI and SIA will not fulfill their original purpose.

6.3. Disclosure Practices

Currently most ECAs have comprehensive environmental guidelines for that include social impact assessment and stakeholder participation, and some guidelines for transparency as well. Stakeholder in this context is defined as every party or entity that would be affected by the project.

The civil society is concerned about the implementation of transparency of the ECAs and the concern is spreading out to the general public as well. Judging from the credit decisions it is obvious that compliance to these guidelines is not always complete. The guidelines seem to act more as window-dressing than commitment to corporate social responsibility. To increase their credibility and commitment to transparency ECAs should have a built-in mechanism for continuous outside, independent monitoring for implementation of the guidelines.

Hermes Kreditversicherungs-AG, the ECA of Germany is an example of this controversial action. Hermes promotes corporate responsibility and transparency in its guidelines, but has actively worked against binding environmental and social impact assessment and transparency requirements at the OECD level. (See chapter 6.4.3)

ECAs claim that it is nigh impossible to disclose information prior to the credit funding decision, because of the danger of divulging confidential business secrets. However, environmental and social impact assessment reports are disclosed in the receiving countries. That undermines the argument for protection of business secrets. The American ECAs disclose information on the EIAs and SIAs on their website prior to the funding decision. These two are relevant and weighty arguments for transparency.

I compare the level of transparency in some major OECD ECAs. Prior to that I introduce the progressive transparency policies of two international, multilateral financing institutions (IFI). They are not ECAs, but give funding to projects where ECAs are involved. The first is the World Bank and its private sector funding arm, International Finance Corporation (IFC). The other one is the European Bank for Reconstruction and Development (EBRD). Their in-

“The guidelines seem to act more as window-dressing than commitment to corporate social responsibility.”

³⁹ The sources for the IFI and ECA information are their websites, unless otherwise indicated. Their website addresses are listed in the bibliography.

formation policies describe well the extent of transparency that can be accomplished and required without compromising business confidentiality. The two American ECAs have adopted the same comprehensive model for transparency and are therefore considered exemplary ECAs by the critics of the current state of the export credit system.³⁹

The World Bank Group

The World Bank is an institution that was established as the International Bank for Reconstruction and Development (IBRD) in 1945 as part of the Bretton Woods Conference resolutions. It is owned by its member countries, Finland being one of them.

The World Bank Group comprises five closely associated institutions, the Bank for International Reconstruction and Development (IBRD); International Development Association (IDA), International Finance Corporation (IFC), International Centre for Settlement of Investment Disputes (ICSID) and Multilateral Investment Guarantee Agency (MIGA). The words World Bank refer specifically to two institutions, (IBRD) and (IDA).

IFC

The International Finance Corporation (IFC) was established in 1956 and is involved in the projects that ECAs fund. It works mainly through the private sector. IFC invests in projects that meet its criteria, but cannot get funding from other sources with reasonable terms. Earlier IFC received extensive international criticism for neglecting environmental and social impacts for its funding policy. The bank has been active in turning around and taking into account and promoting environmental and social issues in its funding. The bank has published comprehensive environmental standards that are being adopted by the environmental-conscious ECAs. An example of the revised policy is the World Bank's withdrawal from the Three Gorges' Dam project in China in 1996, due to its impact on the environment. (See chapter 1.)

The *European Investment Bank EIB* and *European Bank on Reconstruction and Development EBRD* have been established as specific bodies to serve the goals and missions of the European Union. EBRD's mandate is Central and Eastern Europe and the former Soviet region. EIB operates mainly within the EU, but has extended its operations significantly outside EU area. Both banks have modern, progressive and exemplary guidelines for environmental and social impact assessments, project information disclosure and public consultation. They both publish project summaries prior to funding decisions. The EIB Public Information Policy is currently being revised, therefore the EBRD Public Information Policy is presented here. The policy reflects well the basic requirements for proper due-diligence in project preparation: EIA, SIA, information disclosure and public participation prior to the funding decision.

European Bank for Reconstruction and Development EBRD

According to the EBRD Public Information Policy the bank operates on the premise that "whenever possible, information concerning the Bank's operational activities will be made available to the public in the absence of compelling reason for confidentiality. By providing information to economic decision-makers the Bank also helps to improve the stability and efficiency of markets, and promotes adherence with internationally agreed standards".

In 1996 the bank made a distinction regarding the public consultation requirements between public and private sectors operations.

The environmental impact assessment EIA is required from all “Category A” projects. In the assessment the project sponsors must conduct a thorough appraisal and address all key issues, in particular by consulting the public on the projects. The required public comment period must conform to the national legislation and the EBRD’s requirements. The private sector project summaries are published 30 days prior to the consideration of the project by the bank’s Board of Directors. The public sector project summaries have to be published at least 60 days prior to the consideration by the Board.

In lieu of the public consultation the EBRD requires the private project sponsor of “Category A” operations to release the EIA a minimum of 60 days prior to the date of Board consideration. Public sector operations require a minimum of 120 days before Board considerations. Project sponsors must make EIA publicly available for comment, including at or near the project site, and are expected to keep EIA –related documentation in the public domain at least until the Project Completion. An Executive Summary in an appropriate local language must similarly be made available.

ECAs

I compare the level of transparency of major ECAs in the OECD countries in this context, since they operate in relatively similar economic environment. The ECAs have been divided into four categories, based on their level of transparency and information disclosure. The ECAs in categories I and II are the most active promoters of transparency. They all are fully government-owned entities. The combination of shareholders and ownership of the rest of the ECAs vary from fully state-owned to fully privately owned agencies. The United States is the leading country in exemplary transparency guidelines and the American ECAs form category I.

I United States

In the United States the two ECAs are independent US government agencies that issue export credit. They are the Export-Import Bank of the United States (Ex-Im Bank) and the Overseas Private Investment Corporation (OPIC).

They are the world’s leading export credit agencies in practicing high environmental and social impact assessments and transparency. They publish the project information on their websites prior to the decision making. They are able to do it without revealing confidential business secrets. Stakeholder participation and consultation are matters they do not only preach, but practice. This statement by James A. Harmon, the Chairman of the Export-Im Bank says it in a nutshell:

*“The Ex-Im Bank’s mission is to level the playing field for U.S. businesses. Unfortunately, in recent years, factors beyond Ex-Im Bank’s control – U.S. sanctions, concessional financing by foreign governments and limited budget resources – have caused the field to tilt against the U.S. exporter. The answer is not to retreat on the environmental issue; rather we must bring the others up to our own standards. Frankly, when other countries preach green but subsidize dirty, we all lose.”*⁴⁰

⁴⁰ James A. Harmon, Chairman Export-Import Bank “Preaching Green, Subsidizing Dirty”, Editorial, *Washington Post*, September 1, 1998

The Ex-Im Bank

The bank provides guarantees on working capital loans. Although Ex-Im Bank is not a developing aid agency, it has supported projects with a development aid element.

If the environmental assessment submitted to the Bank contains confidential or proprietary information the applicant should also submit a version of it that is authorized by the project sponsors for release to interested parties during the period when the application is under review by the Ex-Im Bank. The bank compiles, once a week, a list of the major project applications that it has received and publishes this list on its website. Anyone interested in the impacts of the projects can contact the bank. The request will be reviewed by the bank and it will be taken into account when the project decision is being made.

OPIC

The institution assists U.S. companies investing in 140 emerging economies around the world. It has strongly endorsed environmental issues in its operations since 1985. In this OPIC operates as is decreed in the relevant sections of the US Foreign Assistance Act. Like many other international lending institutions, OPIC follows the World Bank standards. Transparency and public information disclosure on the projects are essential elements in their environmental impact assessment. All prospective OPIC projects have to undergo a 60 day public comment period, submit annual environmental monitoring reports and undergo at least one independent compliance audit within the first three years of project operation. OPIC also monitors project compliance throughout the project term.

II Australia; Canada; Japan

ECAs in this category have shown distinct efforts to disclose information prior to the decision making and revised their guidelines accordingly. Yet the disclosure is not obligatory, but depends on the permission of the company involved.

Export Finance and Insurance Corporation EFIC, Australia

EFIC is owned by the Commonwealth of Australia. EFIC's has operated for more than 40 years and its mission is to increase Australia's exports. It has been very active in promoting transparency of ECA projects. EFIC has developed a tiering system under which each of our potential transactions is categorized A, B, or C. In developing these categories EFIC consulted with Australian exporters, various non-government organizations and environmental practitioners.

The guidelines for transparency involve Category A projects that have significant environmental impact. As part of the application process EFIC will initiate a 45 day public consultation period in relation to an EIA in a form that can be shared with the public, unless the content is deemed commercially sensitive. EFIC has not, so far, received EIA reports that have included information that has been deemed commercially sensitive for justifying non-disclosure.⁴¹ EFIC will not make its decision regarding a proposed Category A project until the public consultation period has closed and submissions received within time have been considered. The EIA information, in addition to any local comments obtained by sponsors

⁴¹ E-mail interview with Mr. John Davies, Senior Manager Projects, EFIC, Sydney, June 23, 2002.

through the EIA process, will be published via EFIC website as part of the public consultation period as part of EFIC's own internal assessment

Export Development Canada EDC, Canada

EDC is owned by the Government of Canada. Recently, in 2001, EDC revised its transparency policy. The Agency introduced new guidelines for environmental and social impact assessments and publication of relevant project information. The pressure from the active NGOs was one of the factors leading to the revision of EDC activities. Other factors included changing international environment, changes in criteria of similar institutions in other countries, and parliamentary scrutiny.⁴² The realization within the business community that that there are other than only financial indicators available for business made the turnaround possible.

The disclosure of the EIA and SIA concerning projects in category A, with significant environmental and social impacts is under consideration. Most probably EDC will publish the EIA/SIA information on its website and will require the project sponsor to publicize information 45 days prior to signing of the transaction.

Japan Bank for International Cooperation JBIC and Nippon Export and Investment Insurance NEXI, Japan

There are two ECAs in Japan, JBIC and NEXI. They both are government owned and have been established by recent merging operations. Their transparency policies and practices are under revision, but the draft proposals differ in comprehensiveness of transparency, environmental, social and human right issues.

The Japan Bank for International Cooperation JBIC

JBIC was established in 1999 through the merging of the Export-Import Bank of Japan, an export credit agency and The Overseas Economic Cooperation Fund, an aid agency. In JBIC the IFO/JBIC is the ECA arm and OECO/JBIC provides official development aid loans. On the environmental, social and human rights standards of JBIC, these guidelines are under a thorough revising process. This was done to meet the growing pressure from the Japanese parliament members and civil society towards that goal. The recommendations in the draft proposal for the new guidelines are very advanced in promoting sustainable development through requirement of vigorous standards for environmental, social and human rights issues and transparency.⁴³

Nippon Export and Investment Insurance NEXI

NEXI's environmental and social guidelines and transparency policy are also being revised, but NEXI has chose a different road. The draft version of the guidelines does not support clear environmental or social standards nor transparency. The Japanese civil society has expressed its concern about this development. They are worried that the difference in JBIC and NEXI requirements might create double standards in the transparency, EIA and SIA practices in the Japanese export credit system.

⁴² Interview, Honorable Adele Dion, Ambassador of Canada to Finland, Helsinki July 2.,2002

⁴³ "Export Credit Agencies in Japan and NGO campaign on Environmental Policy Reform," Friends of Earth, Japan, February 2002

III Germany, France, Norway, Sweden and UK

What these ECAs have in common is that they have taken steps towards transparency, but are very cautious in doing it. They disclose information after the decision has been made, but some of them on a selective basis only.

Hermes Kreditversicherungs-AG

The most active ECA in this group is the German Hermes. Although it has administered the Federal Export Credit Scheme since 1949, the Federal Government of Germany does not hold any shares in the company. A German private company holds 90% of the Hermes shares.

Hermes promotes disclosure in its guidelines, but in round-about terms and the wording of the guidelines compromises the disclosure efforts. Summary project information, with "certain data", is published after the funding decision has been made. The forum for publication is either on the web-pages of the project sponsor or if the sponsors gives its consent, on Hermes's web-pages. Hermes emphasizes that revealing project information without consent from the project owner is against the German law. The American ECAs have solved this by requesting the project owner to provide information for disclosure purposes that is cleared of any business secrets.

Hermes had an active role in the process of preparing common environmental standards for OECD member ECAs. Hermes urged acceptance of lower common environmental standards for the guidelines than e.g. the American ECAs implement and request from the project sponsors. The United States therefore declined to sign the agreement.

Compagnie française d'Assurance pour le commerce extérieur (COFACE), France

COFACE is a public commercial company, owned by a wide range of stakeholders. COFACE does not require the project sponsors to disclose EIA and/or SIA information. They encourage the sponsors to publish information that has significant environmental or social impacts.

Garanti-instituttet for Eksportkreditt (GIEK), Norway

GIEK is an independent government agency. GIEK has been slow in implementing transparency, but recently it has agreed to publish information selected project after the funding decision.

Eksportkreditnämnden (EKN), Sweden

Fully owned by the Swedish government, EKN has been reluctant to promote transparency in the environmental and social impact assessments of the projects it has issued funding to. However, recently EKN has agreed to consider disclosing of the EIA and/or SIA reports, on a selective basis, after the decision has been made. On its web-page EKN publishes

"I, too, am frustrated with the ECAs' lack of progress in adopting common environmental policies."

a list of selected projects, after the decision has been made. However: "Certain guaranteed transactions may be omitted from the presentation due to reason of secrecy".

Export Credits Guarantee Department (ECGD), United Kingdom

ECGD is fully owned by the government and has operated over 80 years. It has an extensive public information policy that is being currently revised. ECGD endorses and promotes the importance of transparency. It discloses EIA /SIA reports on a selective basis and after the decision has been made. The practical implementation of the transparency policy is not perceived to meet the guidelines. The ECA Watch and other active local and international groups have reported on alleged cases of corruption in ECDG funded projects. (See chapter 4.)

IV Austria, Finland, Spain and the Netherlands

The official ECAs in these countries are all equally reluctant to implement transparency and to disclose relevant information on the projects that they have issued credit to. These ECAs claim that transparency would mean disclosure of confidential business information. The extra time that transparency will add to the funding process is also considered a handicap in competitive financing markets.

These ECAs are:

- Österreichische Kontrollbank (OeKB), Austria (owned by commercial banks)
- Nederlandsche Credietverzekering Maatschappij (NCM), the Netherlands (a Swiss company the majority shareholder, Dutch government representative on the supervisory Board)
- Compañía Española de Seguros de Crédito a la Exportación (CESCE), Spain (Government owns 50.2% of shares, other owners are Spanish banks and insurance companies)
- Finnvera, plc, Finland (government owned); Finnfund (government-owned)

In this group Finnvera and Finnfund are the only fully-government owned export credit issuing institutions. They belong to the group of ECAs that supports the lowest level of transparency, although Finnfund has revealed some information on some past funding decisions. (For more details see chapter 2.)

6.4. Regulatory Environment

Transparency, good corporate governance and ethical trade have, in the recent years, become integral rhetoric in international conventions and agreements. However, practical implementation of the rhetoric is slow and the ECAs give an impression of resisting application of transparency and information disclosure in export credit funding. This "dragging of feet" seems to be a trademark for ECAs when it comes to changes of practices. In the words of Pascal Lamy, the Trade Secretary of the European Union: "I, too, am frustrated with the ECAs' lack of progress in adopting common environmental policies. Every time any of them moves forward a millimeter, they stop to see if anybody else moved."⁴⁴

⁴⁴ Doug Norlen, Rory Cox, Miho Kim, and Catriona Glazebrook, ed. and written, with contributions from the ECA-Watch Reform Campaign "The Unusual Suspects: Unearthing the Shadowy World of Export Credit Agencies"; A publication of Pacific Environment and ECA Watch, 2002

Fair regulations are necessary to create a common basis and operational framework for internationally sustainable development and trade. Resisting of regulations and new strategies on transparency is waste of money and efforts. Resistance keeps ECAs and corporations from looking for innovative solutions for adopting to the changed operational environment. Stringent and clearly formulated regulations force ECAs and corporations to seek incentives and new strategies to overcome the inevitable challenges.

6.4.1. International Agreements and Recommendations

There have been several international attempts to regulate and harmonize the guidelines in the field of export credits. They have been initiated by multilateral and other international organizations and other institutions operating in the field of international export and development financing.

The guidelines the ECAs refer most to are the OECD Arrangement on Export Credits. The ECAs that participate in the OECD Arrangement are the ones to choose from when assessing and comparing the transparency policy of the Finnish ECA with the other ECAs.

From transparency's viewpoint the problem is the lack of legally binding agreements. The agreements provide no direct legal, only moral, base for ECAs for following the spirit of the agreements. The only way to make ECAs become transparent is the "mobilization of shame" by disclosing the low level of transparency of the ECAs. In chapter 4.4. a precedent is presented where a judge in the United States has brought a multinational company to court for human rights abuses in a developing country. This development is a threat that the ECAs may have to face in the future in their association with developing country governments and companies.

6.4.2. The OECD Arrangement on Guidelines for Officially Supported Export Credits

The OECD (Organization for Economic Cooperation and Development) is the leading organization in of the economic cooperation between its 30 member countries.⁴⁵ Its decisions reflect the values of its member countries. OECD provides a forum for the industrialized countries and to some major emerging economies to come together and to formulate common guidelines for international trade. OECD has initiated a range of conventions, agreements and arrangements that provide an operational framework over the wide and continually changing field of international trade. Some of the treaties are legally binding, some are "gentlemen's agreements".

The OECD Arrangement on Guidelines for Officially Supported Export Credits belongs to the latter category being a legally non-binding gentlemen's agreement. It dates back to 1978. The Arrangement applies to all official support for exports of goods and/or services, or to financial leases which have repayment terms of two years or more. The guidelines exclude military equipment and agriculture. Its aim is, among other things "...working to eliminate subsidies and trade distortions related to officially supported export credits." The Arrangement places limitations to the financial and other terms and conditions of officially supported export credits.⁴⁶

⁴⁵ The 30 OECD member countries: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, the Republic of Korea Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, The Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.

⁴⁶ www.oecd.org

Participants of the Export Credit Arrangement are: Australia, Canada, the European Community (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom), The Czech Republic, Japan, Korea (Republic of) New Zealand, Norway, Switzerland, and the United States. Hungary and Poland are observers.⁴⁷

6.4.3. The OECD Working Party on Export Credits and Credit Guarantees ECG

OECD's Working Party on Export Credits and Credit Guarantees (ECG) under the Trade Directorate is a working group where OECD ECAs come together at least twice a year to confer on relevant issues. ECG has taken onto its agenda to reform the ECA guidelines concerning transparency, environmental and social impacts. However, judging from the outcome it looks as if the ECG follows the same "dragging of feet" pattern in its operations as most of the ECAs.

The ECG has invited representatives of NGOs to participate in the meetings. Recently a group of civil society representatives have informed the ECG that they will abstain from participating in the meetings. This is due to their observation of not being treated equal actors in the decision-making process. They claim that their opinions and recommendations are not taken into account. They see the Group as a token body that cannot reach consensus on binding high-quality environmental guidelines for the ECAs.⁴⁸

In 1999 ECG was tasked by the G8 group Summit "...to work within the OECD towards common environmental guidelines for export finance agencies". The ECAs were given a deadline for this task to be completed by the G8 Summit in of 2001. The decision on the agreement on common agreement on environment standards for the ECAs that ECG reached, was not unanimous. It was signed by 24 countries and two countries, Turkey and the United States remained outside it. The reason for the United States not to sign the agreement was that the proposed standards for environmental and social issues and transparency were lower than what the United States government currently requires from its ECAs. As a matter of fact, in a reversed-Kyoto dynamics, US government has adopted high level environmental guidelines for its ECAs. For Turkey the standards were too high, hence the non-signing. When the 24 OECD ECAs refer to this agreement as a basis for their social responsibility guidelines, it reflects their preference for lower standards than are already implemented by the U.S. ECAs. Had the US high standards become legally binding, it would have meant increased transparency for export credit funding decisions.

In addition to the United States ECAs, NGOs have criticized the agreement for lack of binding, independently verified standards for transparency, environmental and social performance. The NGOs claim that the agreement, as it stands now, will have no significant affect the environmental performance of ECA projects.⁴⁹

6.4.4. The European Union

The European Union has no ECA of its own, but its two banking institutions, the European Investment Bank (EIB) and European Bank for Reconstruction and Development (EBRD) are

⁴⁷ OECD, "Export Credits", www.oecd.org

⁴⁸ Letter to Ms. Birgitta Nygren and Ms. Jane West, Working Party on Export Credits and Credit Guarantees ECGD, OECD, August 24, 2001, by ten NGOs: Les Amis de la Terre, France; Friends of Earth, Japan and USA, NGO Working Group on the Export Development Corporation, Center for the International Environmental Law, The Corner House, Urgewald, World Economy, Ecology and Development (WEED), Environmental Defense and Berne Declaration.

⁴⁹ ECA-Watch, "OECD Deliberately Ignores its Commitment to Environmental Reform of Export Credits", media release, Paris, May 16, 2002

involved in ECA projects. The transparency policy of the EBRD is introduced in chapter 6.4. Export credit system is addressed in several documents in different contexts. The importance of transparency is mentioned in them a growing extent, but environmental issues and policies have so far surpassed transparency in attention and implementation.

1. The European Union in its current format was established by the Maastricht Treaty in 1993. The Treaty was replaced by the Amsterdam Treaty in 1999. The Treaty does not address export credit system as such, but calls for harmonization of regulations on the among the European member countries.
2. The EU Council Directive 98/9/EC from 1998 on harmonization of the main provisions on export credit insurance deals on purely financial terms and goals. It does not include environmental or social factors and does not mention transparency.

6.4.5. The Berne Union

The Berne Union, established in 1934 is the co-operative body and a discussion forum for export credit agencies with 51 members. The Berne Union members have agreed to consult and co-operate together on a continuing basis and to participate in agreed projects. The union states that it works for international acceptance of sound principles of export credit insurance and foreign investment insurance. However, they are recommendations aimed to improve and to harmonize the implementation of practical business operations of the ECAs. The Berne Union does not have binding guidelines on value-oriented issues like transparency and environmental activities.

6.4.6. The G-8 Group

The G-7 group met for the first time in 1975. The member countries are: Canada, France, Germany, Italy, Japan, UK and the United States. The G-7 was officially renamed G-8 when Russia was accepted as a member in June 2002. The G8 is the discussion and working forum for the most influential industrialized nations in the world. G8 tasked OECD already in its Cologne Summit in 1999 to find common environmental guidelines for ECAs. In 2000 the communiqué issued by the G8 Environmental Ministers' meeting in Trieste in 2000 urged ECAs for additional transparency, in continuance of the recommendations of the G7 Financial Ministers' for enhanced transparency. The Trieste communiqué states:

*“Export Credit Agencies (ECAs), given their important function in supporting export trade and facilitating investment in economic development and infrastructure projects, can play a key leadership role in fostering sustainable development.ECAs should also adopt common measures to increase the transparency of their decision making process, including public access to environmental information, public consultation and consideration of relevant elements of the recommendations of the World Commission on Dams (WCD).”*⁵⁰

While the communiqué calls for environmental and social assessments, it leaves the chosen action at the discretion of the member country – or ECA.

⁵⁰ www.g7.utoronto.ca

7. Recommendations

Transparency and Government Corporate Social Responsibility

Global markets are often, although mistakenly referred to with the term “free market”. Free market or the laissez-faire policy is often considered the prerequisite for democratic development. According to Professor John Gray, the concept of free market is based on the assumption that market freedoms are natural and political restraints on markets are artificial. Yet the markets are creatures of state powers, and persist only so long as the state is able to prevent human needs for security and the control of economic risk from finding political expression.⁵¹

This argument implies that governments and ECAs are in the position to act as leaders in establishing viable regulations for the export credit system – if they have the courage to do it. These regulations will harmonize the practices of ECAs and allow democratic development in the developing and emerging markets, based on the needs of those markets. Exact and clearly formulated regulations force and help the ECAs and companies to seek for innovative ways to solve problems that arise in projects with extensive environmental and social impacts.

The ECAs and their governments must face the worldwide demands for corporate social responsibility and not hide behind international agreements. Confidential business secrets must be respected, but there are various solutions for ensuring the confidentiality, when disclosing pertinent information. It seems, from the material provided, that ECAs want to remain in the role of passive instead of proactive actors in the funding process.

ECAs receive funding from public sources. Public authorities have a special responsibility of promoting good business practices and social responsibility and the government should act as trailblazer in this goal. The government should compile its own binding recommendations on the various financial and economic policy standards and best practices into a common reference. Thus the government will articulate its intention and political will to implement best practices and standards. It is in the ECA's own interest and their responsibility to make sure that project resources are being used fairly and productively, whether they are natural, physical, human or capital. How is this being recognized by the ECAs and by the government?

“The government should compile its own binding recommendations on the various financial and economic policy standards and best practices into a common reference.”

⁵¹ John Gray, *False Dawn, The Delusions of Global Capitalism*, (Great Britain: Granta Books, New York: The New Press, 1998)

As qualitative requirements for successful transparency and disclosure policies the following mechanisms should be in place:

1. Properly conducted Environmental Impact Assessment EIA and Social Impact assessment SIA
2. Appropriate information and knowledge sharing and training programs as part of organizational strategy that include: all potential stakeholders; ECA staff; project Staff
3. Comprehensive screening procedures of financing arrangements
4. Screening of practices of stakeholders and project subcontractors and any allegations of corrective on fraudulent actions or corruption
5. Systematic monitoring of project
6. Comprehensive and timely reporting policy
7. Systematic post-project follow-up procedures

Competitiveness

ECAs are concerned of their competitiveness. Harvard Professor Michael Porter with Claas van der Linde recommend that to secure their competitiveness “companies should develop regulations in sync with other countries and slightly ahead of them.”⁵² This principle should be adopted by the ECAs. Finland has the opportunity to be proactive and join the leading countries in export credit transparency instead of remaining a camp-follower. If Finland wants to be considered a country in the cutting edge of international trade and development, promoting transparency and disclosure in the Finnish ECA activities offers an excellent forum for it.

As government-administered entities ECAs come under the political decision-making as well as the demands from the markets. This position could be seen as a comparative advantage, since the political pressure, when applied properly will open the ECA operations to meet not only the letter, but the spirit of transparency in global trade and development aid.

To be competitive and to maintain their attractiveness as targets for investment ECAs should avoid any suspicion of corrupt or fraudulent practices in the projects they are financially involved in. To accomplish this, ECAs should be vigorous promoters of practices against corruption and for transparency. Transparency should be made a prerequisite for issuance of export credit or guarantee. Non-disclosure of information on impact assessments and stakeholder participation increases doubts of hidden costs and wasted resources buried in the project costs. Doubts of breach of business conduct may prove very expensive. The hunt for the company’s lost reputation is expensive and will last a long time.

“Finland has the opportunity to be proactive and join the leading countries in export credit transparency instead of remaining a camp-follower.”

⁵² Michael E. Porter and Claas van der Linde, “Green and Competitive, Ending the Stalemate”, *Harvard Business Review*, September-October, 1995: page: 124

Human Rights, Social and Environmental Rights

No country that wants to be a respected member of the international community wants to be seen as a violator of human rights. Louis Henkin – professor emeritus from Columbia University in New York and one of the world’s leading specialists on international human rights law says:

*“Almost all nations respect almost all international treaties almost all the time. Yet this is not sufficient to protect the rights of people. International law consists of treaties that are somewhat vague and enforcing them is complicated. What are, then, the mechanisms that allow making decisions about human rights? Different cultural and societal concepts concerning human rights make it quite problematic and complicated. It is not always possible to make decisions concerning human rights without prejudice. The international consensus on importance of respecting human rights, is unfortunately often cynical, even hypocritical. However, even if it be hypocrisy, it is significant – since hypocrisy is the homage that vice pays to virtue and that human rights is today the single, paramount virtue to which vice pays homage to, that the governments of today do not feel free to preach what they may persist in practicing.”*⁵³

In May 2002 Peter Woicke, the Executive Vice President of IFC gave food for thought for the ECAs:

*“I would argue that one of the biggest values to be captured by a pioneer or early adopter is simply managing expectations. Local communities have very strong – and sometimes very detailed – expectations of a business, particularly a greenfield project. If we address those expectations on the front end, we are in a much better position to find solutions that represent gains for both the business and the community. And if we work with the stakeholders to define the issues, we are much more effective than if we wait until something goes wrong and we are arguing on their terms. If you wait too long, sometimes the debate is about survival rather than the best solution.”*⁵⁴

⁵³ Louis Henkin, *“The Age of Rights”*, (New York: Columbia University Press, New York 1990), preface passim

⁵⁴ Peter Woicke, *“Are We Minding the Gap? Business and the challenge of Sustainable Development”*, (a presentation at the IFC-Financial Times Conference, London, England, 28 May, 2002)

8. Conclusions

8.1. What are the answers to the questions posed?

Who will answer the questions for the impact that the non-disclosure of the environmental and social impact assessments of export credit projects will have on the image of Finland? Who is responsible for independent monitoring and verifying the projects that are supported by Finnish taxpayers monies?

8.2. Work together to set the standards and practice: what goes around comes around

The questions I ask are more than relevant in today's borderless world. The global conscience does not accept the hypocrisy of ignoring environmental and social impacts nor human rights abuses, if done outside your own country. "What goes around, comes around". Let us make sure that when it comes around, back to Finland, it is really good.

Appendix I

List of Agencies responsible

FINNVERA PLC (Official Finnish ECA)
www.finnvera.fi

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Appendix II

Jakarta Declaration For Reform of Official Export Credit and Investment Insurance Agencies

Over 50 representatives of Indonesian and international non-governmental organizations (NGOs), and social movements convened in Jakarta and South Sumatra 1-7 May, 2000 for a strategy meeting on official export credit and investment insurance agencies (ECAs). They agreed on the following Declaration, endorsed

by 347 NGOs from 45 countries. The complete list is seen at eca-watch.org.

Call for Reform

We call upon OECD governments, ministers and national legislatures to undertake with due dispatch the following reform measures for their ECAs:

1. Transparency, public access to information and consultation with civil society and affected people in both OECD and recipient countries at three levels: in the assessment of ongoing and future investments and projects supported by individual ECAs; in the preparation within national ECAs of new procedures and standards; and in the negotiation within the OECD and other fora of common approaches and guidelines.

2. Binding common environmental and social guidelines and standards no lower and less rigorous than existing international procedures and standards for public international finance such as those of the World Bank Group and OECD Development Assistance Committee. These guidelines and standards need to be coherent with other ongoing international social and environmental commitments and treaties, for example, the conventions of the International Labor Organization and the United Nations Convention on Biological Diversity. In addition ECAs must conduct full, transparent accounting for climate change impacts and move to increase investments in sustainable renewable energy. So far, some governments have established, or are establishing, environmental and social policies which substantially deviate from, and are below these internationally recognized standards and guidelines.

3. The adoption of explicit human rights criteria guiding the operations of ECAs. This should be done in consultation with affected people and civil society, and based on existing regional and international human rights conventions. In Indonesia and elsewhere ECAs have not only supported arms exports directly linked to egregious human rights abuses, their support for mining, paper and pulp mills and other major infrastructure investments often has been accompanied by destruction of indigenous and local peoples'

rights to land and livelihood resources, armed suppression of dissent, and suppression of press freedom to criticize such abuses.

4. The adoption of binding criteria and guidelines to end ECAs' abetting of corruption. According to Transparency International, the continued lack of action by ECAs to address this issue is bringing some ECA practices "close to complicity with a criminal offense." We endorse the recommendations of Transparency International submitted to the OECD and European Union in September, 1999, on how ECAs should avoid continued complicity in corruption. These include, inter alia, recommendations that export credit applicants must state in writing that no illegal payments related to a contract were made, and that any contravention of the ban on illegal payment should entail cancellation of the state's obligation to pay. Companies found guilty of corruption should be banned from further support for five years, and export credit agencies should not underwrite commissions as part of the contracts they support.

5. ECAs must cease financing non-productive investments. The massive ECA support for military purchases and white elephant projects, such as nuclear power plants, that would be rejected by OECD bilateral aid agencies and multilateral development agencies such as the World Bank must end.

6. The cancellation of ECA debt for the poorest countries, much of which has been incurred for economically unproductive purposes.

And the list continues! For endorsement please contact the ECA Watch Campaign (www.eca-watch.org) or the Finnish ECA Reform Campaign (www.vientiluotto.net)

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(Her prior position was the Director, Human Rights, Humanitarian Affairs and International Women's Equality at the Department of Foreign Affairs and International Trade, Ottawa. She was involved in the EDC revision process of EDC, the Canadian ECA, because corporate social responsibility file was part of her Human Rights mandate, in partnership with the Investment Trade Policy Division of the department.)

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www.eca-watch.org

www.un.org

www.unece.org

Export Credit Agencies ECAs

The Export-Import Bank, USA www.exim.gov

Overseas Private Investment Corporation OPIC, USA www.opic.gov

Export Finance and Insurance Corporation EFIC, Australia www.efic.gov.au

Export Development Canada EDC, Canada www.edc.ca

Japan Bank for International Cooperation JBIC www.jbic.go.jp

Nippon Export and Investment Insurance NEXI, Japan www.nexi.go.jp

Hermes Kreditversicherungs-AG, Germany www.hermes-kredit.com

Compagnie française d'Assurance pour le commerce extérieur (COFACE), France www.coface.fr

Garanti-instituttet for Eksportkreditt (GIEK), Norway www.giek.co

Eksportkreditnämnden (EKN), Sweden www.ekn.se
Export Credits Guarantee Department (ECGD), United Kingdom www.ecgd.gov.uk
Österreichische Kontrollbank (OeKB), Austria www.oekb.at
Nederlandsche Credietverzekering Maatschappij (NCM), the Netherlands www.ncmgroup.com
Compañía Española de Seguros de Crédito a la Exportación (CESCE), Spain www.cescs.es

International Financial Institutions IFIs

European Bank for Reconstruction and Development www.ebrd.com
European Investment Bank www.eib.org
The International Finance Corporation www.ifc.org
The World Bank www.worldbank.org

Suomenkielinen tiivistelmä *Transparency or High Risks* -tutkimuksesta

Kansalaisjärjestöjen vientiluottokampanjan tutkija Leila Mustanojalta tilaaman tutkimuksen nimeltä *Transparency or High Risks* (Läpinäkyvyys vai suuret riskit) tarkoitus oli tarkastella suomalaisen valtiollisen vientiluotto- ja takuutoiminnan ympäristö- ja sosiaalisia vaikutuksia. Koska tarkastelun kohteena olleet vientiluottolaitokset, vientitakuuta myöntävä Finnvera Oyj ja Teollisen yhteistyön rahasto Finnfund Oy eivät suostuneet luovuttamaan tutkijallemme mitään rahoittamiensa hankkeiden päätöksentekoaikaneitoja, tästä tulikin tutkimus julkisuuskysymyksestä. Tutkimus selvittää syitä vientiluottohankkeiden tietojen salaamiseen sekä etsii perusteita tietojen julkistamiselle. Kansalaisjärjestöjen vientiluottokampanjan tarkoitus on edistää kestäväää ja vastuullista vientioimintaa vaatimalla sitovien ja korkeatasoisten ympäristö- ja sosiaalisten standardien sekä avoimen päätöksenteon käyttöönottoa kansallisissa vientiluotto- ja takuulaitoksissa.

Vientiluottolaitokset perustelevat salailua kilpailutekijöillä. Tutkimuksessa kuitenkin osoitetaan, että nyky maailmassa kilpailuasemaa pikemminkin parantaa avoin toiminta ja oikean tiedon julkistaminen oikeaan aikaan. Yhtiöitä arvioidaan nykyään niiden julkisuuskuvan mukaan, ja esimerkit Yhdysvalloista osoittavat, että liika salailu johtaa ennen pitkään yhtiöiden konkurssiin. Toinen julkistamista vahvasti puoltava tekijä on korruptio, jota ei niin valtiollisten rahoittajien kuin yritysmaailmankaan tule suosia missään tilanteessa, sillä korruptio syö kannattavuutta sekä aiheuttaa epätervettä kilpailua ja liiketoimintaa. Salainen ja sääntelemätön vientiakuutoiminta rohkaisee myös riittämättömään riskianalyysiin, joka puolestaan saattaa johtaa hankkeiden tarpeettomiin epäonnistumisiin. Tästä esimerkkinä tutkimuksessa esitellään Fortumin epäonninen hiilivoimala-hanke Hin Krut Thaimaassa. Vertailussa muiden maiden vientiluottolaitoksiin huomataankin, että Suomen vientiluottolaitosten salailupolitiikka on perin harvinaista läntisten teollisuusmaiden keskuudessa. Muiden maiden vientiluottolaitosten toiminta on jo paljon avoimempaa.

Läpinäkyvyys ja julkistaminen sekä kansalaisten osallistuminen päätöksentekoon on nykyään yhä kasvava trendi. Suomi ja muut Pohjoismaat ovat pontevasti ajaneet avoimuuspolitiikkaa muun muassa Euroopan unionissa. Toisaalta tiedonvälityksen huima nopeutuminen Internetin välityksellä on tehnyt yhä vaikeammaksi toteuttaa ympäristö- ja ihmisoikeusongelmia aiheuttavia hankkeita kehityksessa.

Suomessa heinäkuussa 2001 voimaan tullut uudistettu vientitakuulaki edellyttää sekä julkisuuslain (621/1999) että erityisrahoitusyhtiölain (433/1998) salassapitopykälän noudattamista. Tämän ristiriitaisen tilanteen ratkaisemiseksi kauppa- ja teollisuusministeriö perusti työryhmän pohtimaan ympäristövaikutusarviointien (YVA) julkistamista. Työryhmä käsitteli kolmea vaihtoehtoa: 1) YVA-raporttien välitöntä julkistaminen, 2) julkistaminen päätöksenteon jälkeen tai 3) nykyinen käytäntö. Mietinnön kompromissiksi tuli vaihtoehto 2, johon liitettiin kolme eriävää mielipidettä. Mietintöä seuranneella lausuntokierroksella kansalaisjärjestöt ja ympäristöministeriö kannattivat vaihtoehtoa 1 ja teollisuus sekä Finnvera vaihtoehtoa 3. Tämän jälkeen KTM pyysi lausuntoa oikeusministeriöltä, joka puolsi molemman lain yhtäläistä huomioonottamista. Suomen luonnonsuojeluliitto on tehnyt kesäkuussa 2002 Finnverasta valituksen Korkeimpaan hallinto-oikeuteen Finnveran takaamien hankkeiden ympäristövaikutusten salailusta, joten paraikaa KTM ja muut asianosaiset odottavat KHO:n ratkaisua julkisuus-kysymyksessä.

Tämän tutkimuksen tarkoitus on paitsi vastata edellä mainittuihin kysymyksiin, myös herättää keskustelua avoimuuden ja läpinäkyvyyden välttämättömyydestä uudessa maailmanlaajuisessa talousjärjestelmässä.

Suomen ja Pohjoismaiden kansalaisjärjestöjen kampanja vientiluotto- ja takuulaitosten uudistamiseksi

Kampanjan tavoitteet

Suomen ja Pohjoismaiden vientiluottokampanja ajaa ekologisesti ja sosiaalisesti vastuullista julkista vienninedistämistä. Vientiluottojen ja –takuiden ei pitäisi osallistua lahjontaan, kehitysmaiden lisääntyvään velkaantumiseen eikä ympäristön tuhoutumiseen, eikä niiden pitäisi viedä mahdollisuuksia kestäväan kehitykseen tulevaisuudessa.

Pohjoismaisilla vientiluottolaitoksilla on oltava sitovat ympäristö- ja sosiaaliset ohjeistot sekä standardit, ja niiden päätöksenteon on oltava täysin läpinäkyvää. Eräät teollisuudenalat, kuten asekauppa, ydinvoima ja fossiilisten polttoaineiden voimalat on jätettävä vientiluototuksen ulkopuolelle. Suomen ja Pohjoismaiden vientiluottokampanjan kohde-ryhmänä ovat kaikki asianosaiset: vientiluottolaitokset ja muut vastaavat laitokset, kansalaisjärjestöt, suuri yleisö, poliittiset päättäjät sekä tiedotusvälineet.

Kampanjointi

Kampanjoinnin pääpaino on saada mahdollisimman paljon kansalaisjärjestöjä mukaan kampanjaan jakamalla niille tietoa, keskustelemalla niiden kanssa ja kouluttamalla niitä. Vientiluottolaitosten sekä asianosaisten ministeriöiden ja poliitikkojen kanssa jatketaan kattavaa vuoropuhelua. Kansalaisjärjestökampanjan Pohjoismaista verkottumista syvennetään. Kampanjassa tehdään tapaustutkimuksia ajankohtaisista aiheista ja järjestetään seminaareja ja muita tapahtumia.

Kampanjaa koordinoi Tove Selin ja kampanjan tilijärjestönä toimivan Suomen luonnonsuojeluliiton asettama ohjausryhmä, jossa on tällä hetkellä edustajia Luonnonsuojeluliiton lisäksi Ihmisoikeusliitosta, Luonto-Liitosta, Maan ystäväistä ja Ympäristö ja Kehitys ry:stä, yhteistyössä pohjoismaisten kumppaneiden kanssa. Kampanja on osa kansainvälistä ECA WATCH kampanjaa vientiluottolaitosten uudistamiseksi (www.eca-watch.org).

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KANSALAI SJÄR JESTÖJEN
VIENTILUOTTOKAMPANJA



FINNISH ECA REFORM CAMPAIGN

Finnish and Nordic NGO Campaign to Reform the Export Credit and Guarantee Agencies

Objectives of the campaign

Finnish and Nordic ECA Reform Campaign strives for ecologically and socially accountable public promotion of exports. The credits and guarantees must not contribute to the corruption and further indebtedness of the developing countries, nor to the environmental destruction or cut down future possibilities for sustainable development.

Nordic ECAs should have binding environmental and social guidelines and standards with full transparency in their decision making. Certain industries, such as arms trade, and nuclear and fossil fuel power should be excluded from receiving public funding of such private sector ventures. The focus of the Finnish and Nordic ECA Reform efforts will include all the relevant stakeholders (ECAs and other related institutions, NGOs, general public, political decision makers) and the media.

Campaigning

The primary focus is to get much more NGOs involved in the issue by informing them with the new materials, discussions and training. The extensive dialogue will be continued with the Finnish and Nordic Export Credit Agencies, as well as the relevant ministries and politicians. The Nordic networking in the NGO Campaign will be deepened. Case studies are made on some common acute cases together with other Nordic campaigns. Common events such as joint seminars are organized together in the Nordic network.

Campaign is coordinated by campaign coordinator Ms Tove Selin and the steering committee in Finland consisting on representatives from Finnish Association for Nature Conservation, Finnish League for Human Rights, Finnish Nature League, Friends of the Earth Finland and Coalition for Environment and Development together with Nordic partners. Campaign is a part of International ECA Reform Campaign (www.eca-watch.org).

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FINNISH ECA REFORM CAMPAIGN

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Transparency or high risks?

Leila Mustanoja