OECD SUCCESSFULLY CONCLUDES EXPORT CREDITS AGREEMENT

The Organisation for Economic Co-operation and Development took a major step, on Friday 19th August, toward reforming the system of officially supported export credits. The 11 Participants in the Arrangement on Guidelines for Officially Supported Export Credits (Australia, Austria, Canada, the EC, Finland, Japan, New Zealand, Norway, Sweden, Switzerland, the United States) agreed to a series of measures which build on the so-called "Helsinki package" negotiated in 1992. Key features of the new agreement include:

- abolition of the last of the subsidised interest rates, so that only market-based CIRRs (Commercial Interest Reference Rates) can be used;

- introduction of an automatic classification of countries to determine the maximum repayment period. The new classification depends on per capita GNP as established by the World Bank;

- agreement on firm rules to prevent excessive "grandfathering" of credits in the pipeline whenever a change occurs;

- adjustment of the discount rate for calculating the softness of aid loans to reflect market realities better;

- green light for important areas of new work, the main new areas being export credit insurance and export credits for agricultural products. These areas are at present not covered by the Arrangement.

The OECD Secretary-General, Mr. Jean-Claude Paye, lauded the new agreement, recalling that OECD Ministers, during their June meeting this year, had set the stage for the consensus successfully reached. "Abolishing the last subsidised interest rates for medium and long-term export credits," Mr. Paye noted, "should be..."
good news for national budgets." Expressing his own satisfaction with achievement, Mr. Kurt Schaerer from the Swiss Federal Ministry of Foreign Economic Affairs, Chairman of the OECD’s negotiating Group, stated that "the agreement seals nearly two years of strenuous negotiation."

Rules governing the new agreement will be phased in over the next two years.