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EUROPEAN COUNCIL, BRUSSELS

28/29 JUNE 1982

OECD EXPORT CREDIT CONSENSUS

Brief by HM Treasury

OBJECTIVE

1. To pave the way for early agreement by the Community to the latest proposals for extending the international Export Credit Consensus which have been put forward by the Chairman of the OECD Participants Group.

POINTS TO MAKE

2. The latest proposals represent a useful concession towards the Community view on most aspects of the Consensus. Overwhelmingly, this was the assessment of most Member States (8 out of 10) at the Finance Council on 23 June.

3. We understand the Americans are disappointed by the new proposals, but are likely to accept them with reluctance.

4. It is true that Japan has again got off too lightly. But that is not sufficient reason for risking collapse of the Consensus. Nobody would gain from an international free for all in export credit terms, but Europe would lose more than the Americans because exports are more important to us.

BACKGROUND

5. 22 OECD countries participate in the Consensus arrangements which regulate international competition in export credit terms (eg by prescribing minimum interest rates and maximum duration of credits). The dominant voices in the arrangement are the Community (which, since export credit is a matter of Community

competence, is represented by the Commission for this purpose), the US and Japan. The Consensus arrangements are periodically reviewed among all Participants. The last review (in November 1981) settled the terms of the arrangement to 15 May 1982. Agreement has not yet been reached on a long-term extension thereafter, though Participants have agreed to "stop the clock" while negotiations continued. The latest deadline to which all Participants have agreed is 25 June.

6. Essentially, the debate is between those (principally the Americans, supported by the Australians, a good many Europeans and also the Japanese) who see the Consensus as a vehicle for outlawing all subsidies and leaving export credit terms to be dictated by market forces; and the French, with some support from the UK, who argue that high interest rate countries should be allowed to subsidise their export credit interest rates down to the level of their lower interest rate competitors. The French see the Consensus as a means of limiting the length of credit which the Americans can offer (European capital markets cannot match the Americans in credit length) and put most of the blame for the current disagreement on the high level of US interest rates.

7. The current attempt to negotiate a new arrangement started between OECD Participants in March. The matter was discussed between Finance Ministers at Versailles, but inconclusively. Community Finance Ministers have discussed it three times in the past two months. The latest development has been the tabling of revised compromise proposals by the Chairman of the OECD Participants Group (Mr Wallen, a Swede). Participants were given until 25 June to signify agreement. It is understood that the Japanese and US can accept the proposals, in the latter case with extreme reluctance.

8. At the Finance Council on 23 June all Member States apart from Greece and France said they could accept the new proposals. The Greek problem is special, and believed to be soluble. The

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French did not seriously argue that the terms now on offer were unacceptable or likely to be improved by further negotiation. They simply wanted to postpone the Community's final decision to allow the subject to be raised at the European Council. They see the Consensus negotiations as an integral part of the Community's trade and financial relations with the US. They appear to be alone in the Community in thinking that the continued absence of agreement gives Europe some leverage over the Americans in relation to such issues as steel and the Siberian pipeline.

9. France is the only Member State with any desire to discuss this subject at the European Council. The best that can be hoped for is that having registered his protest President Mitterand will fall in with the majority Community view (of which the Germans have been especially enthusiastic advocates) in favour of accepting the latest Consensus package.

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