(iii) International Ground Rules for Export Credits and Mixed Credits

Official export financing among OECD countries is subject to OECD Consensus guidelines on maximum maturity limits in a range of 8 1/2 to 10 years, minimum cash payments (down payments) of 15 per cent, and minimum interest rates for the three categories of countries classified by degree of development, with higher rates for "rich" countries. These rates are subject to adjustment semi-annually to reflect changes in market interest rates. The last changes took effect July 15, 1984 when minimum rates were increased by 1.2 per cent. They now stand at 10.7 per cent for "poor", 11.9 per cent for "intermediate" and 13.6 per cent for "rich" countries. On January 15, 1985 these rates were to decline in line with recent lower market interest rates. For currencies where market interest rates are below OECD Consensus rates, a system of commercial reference interest rates apply (e.g. for the Deutsche mark, Swiss franc, Japanese yen, Dutch guilder).

The Consensus does not cover all sectors. There is a separate agreement for nuclear power plants. Ships, other than offshore "rigs", are covered under another OECD understanding. Aircraft are not yet covered by the Consensus but it is hoped that negotiations on an agreement will be concluded in 1985. Export credits for agricultural and military products are not subject to the Consensus. Negotiations on export credits for agricultural products are underway but progress is expected to be slow.

The OECD Consensus also sets ground rules for the use of mixed credits aimed at reducing their disruptive effect on regular commercial transactions. These specify that mixed credit transactions must have a minimum subsidy element of 20 per cent and be subject to prior notification. The Development Assistance Committee (DAC) of the OECD has established guidelines for the use and reporting of "associated financing", which is any financing involving both export credits <u>and</u> ODA or other concessional loans. The DAC guidelines are aimed at ensuring that associated financing meets genuine developmental objectives.

B) THE FINANCING OF CANADIAN EXPORTS[(1)]

(i) Private vs. Government Sources

Over 90 per cent of Canadian exports are delivered by the private sector (including Crown corporations) with essentially no government intervention in financing or marketing.

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(1) Also includes government programs for insurance, guarantees and direct sale of exports.