Officially supported export credits: application of certain guidelines

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This annual report relates to the **negotiations undertaken by the Commission in the field of export credits** in the sense of Regulation (EU) No 1233/2011. It covers the period from **March 2013 to March 2014**.

Traditionally, most of the Commission's negotiation activities in this policy area take place in the **Organisation for Economic Co-operation and Development (OECD**).

The European Commission, in the framework of its responsibility to carry out trade negotiations, represents the EU in all negotiations concerning the **OECD Arrangement on Officially Supported Export Credits** and its **Sector Understandings** (which cover special financing rules for specific industrial sectors), namely ships, nuclear power plants, civil aircraft and renewable energy, climate change mitigation and water projects.

Main developments in regard to export credits in 2013: the OECD Arrangement has in general been effective in providing a level **playing field between the export credit programmes of its Participants**. However, major emerging export credit providers like **China, India or Brazil** are not parties to it.

The establishment of the **International Working Group on Export Credits (IWG)** – following a joint initiative by President Obama and then Vice-Premier Xi Jinping in February 2012 – has created a **strategic opportunity** for OECD Participants and non OECD Participants to work together on a new set of disciplines on export credits in a completely new environment. The European Union has therefore fully supported the IWG process from the start. In 2013, **the IWG remained an essential priority**, relevant activities taking an even bigger proportion in the EU's export credit work than in 2012.

According to the Commission, the **provisional assessment of the IWG process at this stage** is a mixed one:

- on the positive side, it has to be stressed that already the successful establishing and continued operation of such a forum is in itself no small achievement. It must be kept in mind that all previous efforts to notably engage China in similar talks at bilateral or multilateral level were not successful. Among the most important non-OECD export credit providers, only India has so far not formally joined the process, but participated as an observer to the Fourth Meeting;

- **the EU has asserted itself as a major player**, having organised two successful meetings and contributed with a lot of substantial contributions and a paper that still seems to shape IWG discussions;

- a real problem at this stage is however the fact that **the activities of the IWG are for the time being very much driven by its OECD participants**. With the exception of South Africa and Turkey, many non-OECD participants are rather cautious when it comes to making active contributions.

The meetings to be held in 2014 will certainly be crucial for an assessment whether all IWG Members are seriously committed to the process and whether the latter is likely to develop beyond the level of

preliminary talks. In case that the IWG process is likely to enter into a phase of formal negotiations, the Commission would seek the necessary authorization in line with the Treaties.

Developments in the OECD may be summarised as follows:

- the finalisation of a two-year negotiation for the **Sector Understanding on Export Credits for Rail Infrastructure ("RSU")** in November 2013. The RSU, which was a big ambition of the EU, establishes some specific financing conditions for the exports of rail infrastructure assets essential to operating trains, including rail control, electrification, tracks, rolling stock and related construction work.

- the EU is also the driving force behind two add-ons to the **2012 Sector Understanding on Export Credits for Renewable Energies and Climate Change Mitigation (CCSU).** The sectoral extensions currently under negotiation concern climate change adaptation projects and electricity smart grids. Not all participants seem to have an active interest of their own in these dossiers.

- an area of strategic importance is the **review of the interest rate provisions of the OECD Arrangement.** While several other participants have no official position yet, the Commission has managed to obtain the consensus of the Member States on **four guiding principles** on the interest rate review. On the basis of these principles, the Commission is now working on a more substantial proposal, which the EU could table in the OECD later in 2014.

- Lastly, in commercial terms, **the aircraft sector** has always been the most important export credit sector. There have, however, been no major new developments recently. Implementation of the 2011 OECD Sector Understanding on Export Credits for Civil Aircraft continues (in theory, a review is foreseen for 2015).

The Commission will duly keep the European Parliament informed on new developments.