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Concluding Observations

This paper has paid special attention to developments and issues concerning export credits from the perspective of the economic adjustment process of indebted developing countries. This emphasis is consistent with the principle that officially supported export credit—whether it takes the form of direct official credits or insurance and guarantees on privately funded credits—is an instrument of commercial financing for exports and not a means of aid finance. Export credit insurance is accepted by the General Agreement on Tariffs and Trade (GATT) as a form of export promotion but not as a form of export subsidy, and export cover policies are a means of considerable commercial competition among creditor government authorities. At the same time, export credits are expected to assume increasing importance in transferring capital to developing countries and, when used effectively, can promote their economic growth.

Since early 1984, most export credit authorities have shown marked flexibility and willingness to adapt policy during a time when their agencies have experienced considerable financial pressure as a result of widespread payments arrears and a record number of debt reschedulings in the Paris Club. These adaptations have aligned export credit cover policy more promptly and more closely with progress, or lack thereof, in adjustment made by indebted countries, providing financial support for the adjustment process. Besides helping support adjustment, this flexibility has contributed to a significant increase in export credit exposure at a time when nonguaranteed commercial bank lending has grown only moderately. In the context of a moderate decline in the value of non-oil imports of developing countries in the two-year period 1984–85, this increase in export credit exposure most likely reflects an upward shift in demand for credit insurance and guarantees.

Looking ahead, all creditor governments have a broad range of objectives in using the economic instruments at their disposal to help overcome the adjustment problems of heavily indebted countries, with which important bilateral trade relations are being maintained. In support of an expansion in world trade and notwithstanding the competitive element, export credit insurance and guarantees may have a special role in helping to catalyze private credit flows, especially since such a role coincides with the interest of private lenders to shift away from general purpose balance of payments finance to trade and project finance. At the same time, and as indebted countries expand investment, the demand for such trade and project financing could be expected to rise.

Building on the recent policy direction of most export credit authorities, and in the overall context of the initiative launched by the U.S. Treasury Secretary, James A. Baker III, during the October 1985 Annual Meetings of the International Monetary Fund and the World Bank, further evolution of policies might be desirable. Such policy evolution might concentrate on seeking to achieve increased transparency of cover policies. Furthermore, there seems to be interest on the part of export credit authorities in exploring an expanded role for the World Bank in the area of project selection with a view to catalyzing additional commercial lending flows.