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GENERAL AGREEMENT ON TARIFFS AND TRADE

Original: French

EXPORT INFLATION INSURANCE SCHEMES

Statement by the Representative of France

The following text of a statement[1] by the representative of France has been transmitted to the secretariat for circulation to the members of the Working Party.

The French authorities have just revised certain modalities of the guarantee against economic risks. The reasons for this reform and its content are as follows:

1. REASONS FOR THE REFORM

- To re-equilibrate the guarantee scheme, which is timely: the French public authorities have been very concerned over the growing financial imbalance of this scheme, due, as is known, to rapid world inflation since 1974 together with concomitant expansion of international trade. The French authorities hope, nevertheless, to succeed in re-equilibrating this scheme and have accordingly decided to revise the relevant modalities.

- To take account of the international monetary situation: the guarantee against economic risks was established in a period of fixed monetary parities. By reason of the abolition of that system and the institution of general floating of currencies, the French authorities would not wish to see French exporters benefiting from the accumulated advantages of any downward floating of the national currency with those offered by the guarantee against "economic risks"; they have decided, therefore, to take action in respect of this latter scheme.

- To reply to criticisms made in GATT.

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[1] At the meeting of the Working Party held on 16-17 May 1977.

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2. TECHNICAL MODALITIES OF THE REFORM

2.1. Establishment of a compensatory monetary levy

To the pro rata temporis premium of 1 per cent per annum payable throughout the period of guarantee, there has been added a compensatory monetary levy in the form of a one-time payment on the amount of the guaranteed contract.

This compensatory monetary levy represents a fraction of the upward or downward variations - at the date of signature of the contract - of the SDR value expressed in French francs in relation to a central base rate.

When, as at present, the SDR rate is higher than the base rate, the compensatory monetary levy operates as an "extra premium" within the limits of a ceiling.

The compensatory monetary levy cannot, however, have the effect of reducing the pro rata temporis premium below a minimum level.

2.2. Index changes

This adjustment was made hitherto on the basis of a representative index of wage movements in the engineering and electrical industries. It is now replaced by a cost-of-living index (295 items) increased by a fraction of the difference between the movement of that index and of the above-mentioned wage index.

The change is designed to encourage exporters to limit wage increases, consistently with government objectives.