



EUROPEAN COMMISSION

Directorate-General for Trade

Directorate F - WTO Affairs, OECD and Food-related Sectors
WTO, OECD and Dual Use

Brussels, **30 SEP. 2010**
TRADE F.2/LT/ba

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Subject: CHAP(2010)02320 – Complaint against the UK Export Credits Scheme

Dear Madam,

Dear Sir,

I would like to refer to the complaint which you have sent to the European Commission by letter of 22 March 2010 and which has – as far as its trade aspects are concerned – been registered under reference number CHAP (2010)02320 – United Kingdom.

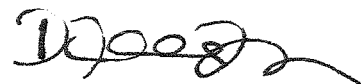
To begin with, let me underline once again that the present letter only addresses the alleged contravention of *Council Directive 98/29/EC of 7 May 1998 on harmonisation of the main provisions concerning export credit insurance for transactions with medium and long term cover* and the WTO's Agreement on Subsidies and Countervailing Measures (ASCM) and does not address the state-aid aspects of your complaint nor assess how the measures you describe would have to be qualified under the United Kingdom's domestic legislation.

The ASCM indeed establishes a prohibition upon governments to provide export credit guarantee or insurance programmes at premium rates inadequate to cover their long-term operating costs and losses (Annex I, item j in connection with Art 3.1a). This "break even requirement" is also reflected in Council Directive 98/29/EC (recital 6 and paragraph 32 of the Annex).

If I however have understood your complaint correctly, it entirely concerns the financing of ECGD's "Fixed Rate Export Financing Scheme" or "FREF". To our knowledge, FREF is not an export credit guarantee or insurance scheme, but an interest rate support scheme. As you are aware, the "break-even requirement" established in Annex I, item j of the ASCM does not refer to such interest rate support schemes. While such Annex provides only an indicative list of export subsidies, it establishes under Paragraph 2 of item k that export credits practices, which are in line with the OECD Arrangement on Export Credits or a similar international undertaking, should not be considered as export subsidies prohibited under the ASCM. To our knowledge "FREF" is in line with the OECD Arrangement on Export Credits and therefore consistent with the ASCM.

Given the limited details of the alleged breach of Community law indicated in your letter and in the light of the information provided above I will propose to close this complaint file. If you have any comments on this proposed course of action, I would request that you provide these within one month of your receipt of this letter.

Yours sincerely,



Ditte Juul-Jørgensen
Head of Unit

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