The outstanding liability outstanding under this section amounted to $1.4 billion on March 31, 1967.

Canada.—The Export Credit Insurance Corporation (ECIC) operates under authority of the Export Credits Insurance Act of 1944. Section 14 of this Act provides the authority for insuring exports on a strictly commercial basis. From 1959 through 1966, actual exports underwritten by ECIC amounted to Can$790 million, or an average of about Can$100 annually.

The Act provides separate authority for national interest exports:

Section 21. (1) Where the Minister (of Trade and Commerce) reports to the Governor in Council that

(*a*) The Board, having regard to the limitations imposed by section 14, is of opinion that a proposed contract of insurance or a proposed contract of insurance and a guarantee issued to a bank in connection therewith will impose upon the Corporation a liability for a term or in an amount in excess of that which the Corporation would normally undertake in relation to any one contract, exporter, commodity or country, and

(*b*) in the opinion of the Minister it is in the national interest that the proposed contract be entered into or the proposed contract be entered into and the guarantee be issued in connection therewith,

the Governor in Council may approve of and authorize the Corporation to enter into the proposed contract of insurance or enter into the proposed contract of insurance and issue the proposed guarantee in connection therewith.

Under this Section, Can$636 million in actual exports have been underwritten from 1959 through 1966, or about Can$80 million annually.

Additional Comment.—In Canada, national interest insurance accounts for a much larger share of total government-supported export credit insurance than does the similar fund in the U.K. On the other hand, the percentage of total exports which is insured is much higher in the U.K. than in Canada; more than 25 percent for the U.K. as compared to around 2 percent for Canada.

Whereas there is considerable similarity between the Canadian and British national interest funds in terms of structure, they differ in the ways in which the funds have been utilized. In the U.K., the major function of the national interest facility has been to provide support for major longer-term projects. In Canada the bulk of recent transactions have been to Eastern Europe.

REFINANCING FACILITIES

Summary.—The refinancing facilities in various countries appear to favor export financing over the financing of other type of transactions. In France and Japan, for example, a lower central bank discount rate for export paper than applies to other types of discount transactions suggests that private banks have a profit incentive to lend for exports. In the United Kingdom and Italy, on the other hand, the refinancing mechanism appears designed to assure that the exporter benefits form a lower cost of financing that would ordinarily be applicable. In Germany, a special discount line from the central bank provides liquidity to the export financing system.

A brief description of the U.S. discount system for export paper is provided for comparative purposes.

United States.—Although certain types of export paper are eligible for discount (or advances) at the Federal Reserve Banks, the general practice of commercial banks is to borrow against Treasury securities as collateral and to discount very little, if any, export paper. On May 15, 1968, the Federal Reserve's discount rate was 5.5 percent. The maximum original maturity of export paper eligible for discount is 90 days.[3]

In September 1966, the Export-Import Bank established a discount program under which Eximbank extends loans to commercial banks based on their holdings of export paper. Under the April 1, 1968, revision of this program, two types of loans are offered: (a) Current Export Loans, which are made against eligible export paper acquired on or after March 1, 1966; and (b) Net Increase Loans, which are made against a commercial bank's increase in ownership of eligible export paper over calendar year 1967, or other agreed base period. Eligible export paper consists of export paper based on an export credit transaction with an original maturity of 12 months or more. The interest rate on Current Export Loans is the lesser of Eximbank's project loan rate—6 percent as of May 15, 1968—or the cost of money to Eximbank in the private market;

[3] Except for certain bankers acceptances and agricultural paper.