

RESTRICTED

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

L/5602

18 January 1984

Limited Distribution

Original: English/
French

EXPORT CREDITS FOR CAPITAL GOODS

With reference to the discussion at the 39th session of the CONTRACTING PARTIES, the secretariat is circulating in Annex I the relevant parts of the Arrangement on Guidelines for Officially Supported Export Credits, elaborated in the OECD in October 1983. This text is in part an amendment to the July 1982 version of the Arrangement, the relevant provisions of which are attached in Annex II.

ANNEX I

Revised Guidelines for Officially Supported
Export Credits are Applied as of 15 October 1983

(October 1983)

The main features of these new provisions are:

1. a revised matrix of minimum rates of interest for export credits extended with official financing support implying a reduction in rates for Category II and III countries;
2. an automatic adjustment mechanism for these minimum rates of interest;
3. generally applicable rules for the permitted extension of export credits with official financing support in "low rate" currencies, i.e. currencies where the commercial lending rates of interest are below the relevant minimum matrix interest rates.

Ad 1: The new matrix applicable as from 15 October 1983 and until the time it will be adjusted according to the new adjustment mechanism is as follows:

<u>Classification of country</u>	<u>Number of years in Maximum Repayment Terms</u>		
	<u>2-5</u>	<u>Over 5-8.5</u>	<u>Over 8.5-10</u>
I. Relatively rich	12.15%	12.40%	n.a.
II. Intermediate	10.35%	10.70%	n.a. ¹
III. Relatively poor	9.5%	9.5%	9.5%

¹ For countries reclassified in July 1982 from Category III to Category II the maximum repayment term will continue to be 10 years with minimum interest rates as for repayment terms of over 5 to 8.5 years.

Ad 2: These minimum rates of interest will henceforth be adjusted automatically every six months (January/July) in accordance with the movements in a representative international weighted average interest rate, provided that such movements are at least equal to 50 basic points since the preceding change. A complementary adjustment, involving specific upward adjustments amounting in total to 65 or 50 basic points, will be implemented between July 1985 and July 1986 to bring minimum interest rates for Category II and Category III countries closer to market levels. In the case of downward adjustments to the general level of minimum rates of interest, the complementary adjustment procedure will be accelerated.

Ad 3: According to agreed guidelines commercial interest reference rates (CIRRs) have been established for "low rate" currencies. These rates are circulated to all participants. Export credits in such currencies can be extended with official financing support provided that the interest rate charged is no less than the relevant commercial interest reference rate increased by 0.2 percentage points per annum.

ANNEX IIThe Arrangement on Export Credits

(July 1982)

1. Minimum interest rates

<u>Classification of Country</u>	<u>Maximum Repayment Terms (years)</u>		
	<u>2-5</u>	<u>Over 5-8.5</u>	<u>Over 8.5</u>
I. Relatively rich	12.15%	12.40%	n.a.
II. Intermediate	10.85%	11.35%	n.a.
III. Relatively poor	10.0%	10.0%	10.0%

For publicly supported credits in currencies with market rates below 10 per cent, the final blended interest rate may be set no less than 0.3 per cent above the relevant market rate of interest.

2. Classification of borrowing countries

The three categories of countries referred to above are defined as follows:

- I. countries with a 1979 GNP per capita of over \$4,000, as shown in the World Bank Atlas for 1981;
- II. all countries not in I or III. Countries moving from Category III to II as from 6 July 1982 benefit from somewhat lower interest rates until 31 December 1982; a maximum maturity of ten years will continue to be allowed for these countries;
- III. countries eligible for IDA credits (i.e. the World Bank's concessional funds) and any others whose income levels would meet the IDA eligibility criterion.

3. No-derogation undertaking

Participants have agreed not to derogate after 15 October 1982 from the maximum maturities and minimum interest rates of the Arrangement Guidelines, and not to give mixed credits with a grant element of less than 20 per cent.

4. Length of commitments

Participants have agreed that the terms and conditions of commitments to provide credit will not be valid for more than six months.