

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED
L/5603/Add.19/Suppl.1
13 December 1984
Limited Distribution

Original: English

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Notifications Pursuant to Article XVI:1

YUGOSLAVIA

Supplement

The following supplementary notification has been received from the Permanent Mission of Yugoslavia.

Medium-term and long-term export credit financing

Under the law on the Yugoslav Bank for International Economic Co-operation and on Joint Financial Organizations (Official Gazette of the SFRY, No. 55/78), exporters may extend to their foreign partners medium- and long-term supplier's credits for export of capital goods, and the commercial banks may grant the former dinar credits for the same purposes, with the dinar credits being refinanced by the Yugoslav Bank ("additional credit financing") up to 55-80 per cent, depending on the type and scope of transaction, the country of export, etc. The Yugoslav Bank of refinances the transactions for which credits have been extended to foreign buyers, as a rule, for a period of two to ten years. The commercial banks pool their resources within the Yugoslav Bank for refinancing purposes, and the National Bank of Yugoslavia extends rediscount credits to the Yugoslav Bank for these purposes, but in both cases at an interest rate which is several times higher than the one which exporters can obtain when granting credits to foreign buyers. In addition, the interest rate charged on the bank resources pooled within the Yugoslav Bank and on the rediscount credits extended by the National Bank of Yugoslavia is not a fixed out throughout the credit period but is changed for every interest computing and collecting period and for the credit portions already disbursed.

The interest rates paid by the commercial banks on the refinancing facility extended by the Yugoslav Bank are as follows: for transactions involving exports on credit terms to the developed countries - 26 per cent annually, for export transactions to the developing countries - 24 per cent, and for export transactions on credit terms to the LLDCs - 22 per cent annually, while the commercial banks may charge interest on that portion of

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the export credit to the exporter at the above rate increased by 0.5 per cent at the most, to cover their costs. For their share of credit financing provided from their own credit potential, the commercial banks charge interest at the rates fixed in their mutual Decision on Interest Rates, now ranging from 20 to 40 per cent. Fixed interest rates are negotiated for supplier's credits on the world market for the whole credit period and they are as a rule below the interest rates charged on financial loans in the world market. However, the interest rates on the dinar credits for these purposes too have risen dramatically in Yugoslavia, and, in addition, starting from April 1984, they are changeable throughout the utilization of the disbursed credit portions, depending on the general movement of interest rates in Yugoslavia, this being a severe handicap for exporters selling on credit. No adequate solutions have been found yet to these problems within the system of financing Yugoslav exports of capital goods on credit terms, and this threatens to make transactions of this kind impossible.

The federal government has not extended any facilities to the Yugoslav Bank for these purposes nor can it afford them. The Yugoslav Bank, however, can obtain rediscounts from the National Bank of Yugoslavia (currently 35 per cent of its claims on account of export refinancing, which fall due within a period thirty-six months, while the average refinancing period is about eight years). In addition, the rediscount rate on these credits by the National Bank of Yugoslavia has gone up drastically and now reaches 31 per cent. This rate is also changeable in the course of the utilization of the resources disbursed.

The Yugoslav Bank does not charge any other fees on extended or disbursed additional export credits, except interest at the previously described rates.