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EXPORT CREDIT RATES BECOME AUTOMATIC

The ten nations of the European Community, the United States and 11 other industrial nations last week agreed to establish an automatic system for setting minimum interest rates for government-supported export credits.

The new plan, negotiated under the auspices of the Organization for Economic Cooperation and Development (OECD), provides that minimum interest rates will be adjusted every six months to reflect average world market rates. This system will avoid the "agonizing discussions and the uncertainties which have surrounded the annual review of minimum rates up to now," said Jos Loeff, Deputy Director-General of External Relations for the Commission of the European Communities.

The automatic formula is a revision to the international gentlemen's agreement, or "consensus," that sets guidelines for government-backed export financial packages. The consensus is aimed at preventing excessive competition for foreign markets through the use of export credit loans.

Under the new accord, minimum interest rates will be set on January 1 and July 1, based on the weighted average of interest rates of 10-year government bonds in these currencies: U.S. dollar, British pound, West German mark, French franc and Japanese yen.

The participating nations agreed to lower the minimum rates charged for credits to poor and middle-income countries, while maintaining the present rate charged to high-income nations.

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Effective October 15, 1983, the new rates, and their repayment periods, are as follows (present rate in brackets):

	2-5 years		5-8.5 years		8.5-10 years	
High-income countries (Group I)	12.5%	(12.5%)	12.4%	(12.4%)	Not applicable	
Medium-income countries (Group II)	10.3%	(10.85%)	10.7%	(11.35%)	10.7%	(11.35%)
Low-income countries (Group III)	9.5%	(10.0%)	9.5%	(10.0%)	9.5%	(10.0%)

In some participating countries - Switzerland, Japan, Germany and the Netherlands - market interest rates are below the level of the consensus matrix. Those countries can use their currencies at market rates. Competitors from other countries can also use those currencies at market rates to ensure equal competition between consensus participants. In those cases, a margin of 0.2% is added to the market interest rate if the export credit is given with official financing support.

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