except that under specified circumstances export paper arising out of an export transaction in which Eximbank has participated may carry a higher interest rate. The interest rate on Net Increase Loans, as of May 15, 1968, varied from 5⅛ to 5⅜ percent, depending upon the maturity of the underlying export transaction. Half the value of the export paper offered by commercial banks may be discounted under the Current Export Loans, whereas the full value of the export paper may be discounted under Net Increase Loans. As of May 14, 1968, Eximbank has disbursed $127.3 million in both types of discount loans to U.S. commercial banks.

France.—The Banque de France offers a 3 percent discount rate on export paper, as compared to a 3.5 percent rate for domestic paper. In addition to export paper, the Banque de France also offers to discount, at 3.5 percent, paper financing (a) the production costs of major export transactions prior to shipment; and (b) a French exporter's working capital needs in connection with a sustained volume of exports to a single foreign customer. Moreover, export paper is exempted from the commercial banks' discount ceilings which impose limits to the volume of other paper that the Banque de France is willing to discount for each bank. The maximum term of export paper eligible for discounting is five years.

For export transactions with a credit maturity in excess of five years, the Credit National will refinance the commercial bank and in turn discount the export paper with the Banque de France. Alternatively, longer-term transactions may be refinanced through a standing consortium of French banks (GICEX). Refinancing rates for the long-term transactions exceed the Banque de France's 3 percent discount rate.

Germany.—Short-term export paper of up to 90 days' maturity is discounted at the Bundesbank on the same basis and rate as other types of commercial paper.

AKA, a consortium of German banks, participates in financing export transactions originated through a German commercial bank and bearing credit maturities of between one and eight years. Under AKA's program "B", the Bundesbank refinances AKA loans up to an aggregate of $625 million, at a cost to the German bank of 4.5 percent, or 0.5 percent above the Bundesbank's discount rate.

Italy.—Export transactions with a credit maturity of one year or more are eligible to be refinanced by Mediocredito Centrale, a government rediscount institution. Mediocredito may finance 78 percent of the credit at 3.5 percent; or alternatively may finance 26 percent at 3.5 percent and pay a 3 percent interest rate subsidy to the originating bank on the remaining portion. Since the originating bank would normally charge 8.25 percent to the exporter, the effect of the interest rate subsidy and/or discount is to reduce the cost to the Italian exporter to 5.9 percent.

Japan.—The Bank of Japan discounts three types of export-related paper with a maximum maturity of up to 180 days: (a) export paper, at 4.015 percent; (b) paper to finance production prior to shipment, at 4.38 percent; and (c) paper to finance the period between shipment of goods and payment by the importer, at 3.65 percent. These rates compare favorably with the Bank of Japan's "standard" 6.205 rate on commercial bills, applicable as of May 15, 1968.

In addition, export paper is exempt from the discount ceilings of the commercial banks with the Bank of Japan. Discounting is a major source of funds for Japanese commercial banks, and control of access to the Bank of Japan's discount window is a key instrument of Japanese monetary policy.

United Kingdom.—The Bank of England stands ready to refinance insured export credit of two years or more. The amount refinanceable is either 30 percent of the export loan outstanding or repayments due to be made by the buyer in the next 18 months, whichever is greater. The Bank of England also stands ready to refinance the outstanding balance of an insured export credit five years or more after its origin.

In actual practice, banks have found it advantageous not to discount their eligible export paper, and prefer instead to count such interest-bearing paper toward their liquidity ratio, as is permitted by the Bank of England.

The discount rate for eligible export paper is 5.5 percent, or 1.5 percent under the Bank of England's standard discount rate on May 15, 1968. The private banks have agreed to pass this rate on to exporters.