

CONSEIL DE L'ATLANTIQUE NORD
NORTH ATLANTIC COUNCIL

EXEMPLAIRE N° 186
COPY

ORIGINAL: ENGLISH
18th November, 1964

NATO CONFIDENTIAL
DOCUMENT
AC/127-D/174

COMMITTEE OF ECONOMIC ADVISERS

REPORTING PROCEDURE ON CREDITS OVER 180 DAYS
TO COMMUNIST COUNTRIES

Note by the Chairman

The present rules on the reporting of credits over 180 days to Communist countries have been established gradually over the years since the inception of the procedure. They exist only in the form of decisions as they were originally adopted and the successive changes and elaboration of the procedure make it difficult to grasp quickly what information is exactly required. The Committee may therefore see an advantage in replacing these various texts by a single document setting out in a more systematic way the existing rules. This has been attempted in the attached document which, if the Committee so decides, could replace the present rules assembled in document AC/127-D/116 dated 23rd January, 1963 as completed by the Committee's decision recorded in AC/127-R/104 Item I(4) and AC/127-R/131 Item I(2).

2. In establishing this draft account has also been taken of the desirability of establishing a closer conformity between the rules for the reporting on credits over 180 days and those recently established on ex post facto notification of officially backed export credits over five years (AC/127-D/154(Final)). This consideration has led to suggesting the following changes to the rules which have been applied until now and which otherwise remain unaltered:

- (i) in the first line of the "Rule" and in (1) has been added "or loans" in conformity with the definition of "export credits" adopted by the Committee for the notification procedure. This latter definition is applied to the reporting procedure under (2);

NATO CONFIDENTIAL

DECLASSIFIED - PUBLIC DISCLOSURE / DECLASSIFIE - MISE EN LECTURE PUBLIQUE

- (ii) in the second sentence of the rule it is proposed that the amount of the outstanding credits which was originally extended for a period of over five years should be separately reported; the amount of these credits at the time they were granted will already be known through the notification procedure. However, as the exact starting points of these credits are not known it will be increasingly difficult when their amortisation begins to form an idea of their relative importance, if their outstanding amounts are not separately reported on a basis comparable to the figures given for total credits;
- (iii) the formulation adopted for the notification procedure has been used under (3) instead of the present rule set out in AC/127-R/131, Item I(2) (1);
- (iv) a definition of how to determine whether a credit exceeds 180 days on the lines adopted for the notification procedure has been added under (4);
- (v) as has been done for the notification procedure, Mongolia, North Korea and North Vietnam have been added to the list of countries, credits to which should be reported.

(Signed) F.D. GREGH

OTAN/NATO,
Paris, XVIe.

(1) This has repeatedly been suggested by the United Kingdom Representative; see AC/127-R/131, Item I and AC/127-R/140, Item I.

DRAFT REPORTING PROCEDURE ON CREDITS OF OVER 180 DAYS
TO COMMUNIST COUNTRIES

RULE

All government-to-government credits or loans(1), export credits(2), officially backed(3), and, whenever practicable, private firms' credits not covered by government guarantee, exceeding 180 days(4), extended to Communist countries(5) and outstanding(6) as of the end of the first half and of the second half of the calendar year should be reported by member countries not later than the last day of the following month(7) to the Economics Directorate. The amounts outstanding to the Soviet Union, Poland, the Soviet-Occupied Zone of Germany, the rest of the Soviet bloc, Communist China and, grouped together, North Korea, North Vietnam and Mongolia should be indicated separately as should for each group the amount of the outstanding credits which was originally extended for a period of over five years(8). On the basis of the information received, the Economics Directorate will establish a statistical report(9).

Interpretation of the Rule

The Committee of Economic Advisers has agreed that the terms of the above-mentioned rule should be interpreted as follows:

(1) Government-to-government credits or loans

Any NATO government credit or loan to any Communist country as defined in (5) below(x).

(2) Export credits

(a) credits given to foreign buyers by suppliers of national products;

(b) loans given to foreign buyers or to foreign banks or other financial institutions, by banks or other financial institutions to finance exports of national products;

(x) It is recalled that paragraph 3 of C-M(59)75 states: "For the present, no NATO country intends to grant government-to-government credits to the Soviet Union. All members of the Committee agree that, if any change of policy in this respect is contemplated in future by any member country, such country should inform the Committee of Economic Advisers so that the matter may be discussed there."

(c) loans given to suppliers to finance (a) above.

(3) Officially backed

- export credits for which national agencies have given official cover or which have been financed by national governments or organizations under their control;
- export credits for which regional agencies have given official cover or which have been financed by provincial or local governments or organizations under their control, or by a nationalised concern.

(4) Exceeding 180 days

(a) Definition of duration

- the last instalment is due more than 180 days after the starting point of the credit;
- or the agreement allows the buyer to renew the original contract and carry the last instalment beyond 180 days from the starting point of the credit;
- or the agreement is, in fact, renewed in such a way.

(b) Definition of starting point of the credit

- in the cases of individual items usable in themselves, the starting point of the credit is the date when the buyer actually takes physical possession of the goods in his own country;
- if a number of individual items are delivered over a period of time and credit arrangements are made independently of the individual deliveries, the starting point of the credit can be regarded as the mean date of the actual dates when the buyer has taken physical possession of the goods;
- in the case of equipment for complete plants or factories, the starting point of the credit is the date when the buyer is taking physical possession of the entire equipment (excluding spare parts) supplied under the contract;

- in the case of construction or installation contracts, the starting point is the date when the seller has constructed or installed the plant.

(5) Communist countries

- the USSR, Poland, Czechoslovakia, Hungary, Roumania, Bulgaria, Albania, the Soviet-Occupied Zone of Germany, the Soviet-Occupied Sector of Berlin, Communist China, Mongolia, North Korea, North Vietnam.

(6) Credits outstanding

- total amount of credits extended, including that part which might not have been officially backed, minus repayments;
- credits are regarded as outstanding when the exporter and the guaranteeing body have signed a contract setting out the risk to be covered (stage 5 in Annex).

(7) Date of reporting

- the outstanding credits as of 30th June of any calendar year should be reported not later than 31st July and credits outstanding on 31st December of any calendar year should be reported not later than 31st January of the following year.

(8) Our five years

- duration and starting point defined as under (4).

(9) Statistical report

- the returns by each NATO country will be collated by the Economics Directorate which will circulate, for the information of the Committee of Economic Advisers, the totals returned by NATO countries as a whole for each of the recipient areas on which information is received.

EXCERPT FROM DOCUMENT AC/127-WP/45
DATED 12TH NOVEMBER, 1959, PARAGRAPH 2

When guarantees are granted to exporters extending credits to foreign buyers, the following stages are normally gone through:

1. the exporter begins negotiations with a view to winning a contract with a foreign firm or agency involving the granting of credit;
2. the exporter approaches his national credit guarantee company to obtain an indication of its willingness to cover his risk, should the deal be made;
3. the credit guarantee company promises to cover the credit risk if a contract is signed between the exporter and the foreign buyer;
4. on the basis of this promise, the exporter proceeds with his negotiations and concludes the contract according to which he extends a credit to the purchaser, this credit to be repaid at a certain time, e.g. some years from delivery of the goods;
5. the exporter and the credit guarantee company sign a contract, setting out the risk to be covered by the company; it is normally limited to a percentage of the total credit involved;
6. the purchaser becomes debtor, e.g. through delivery of the goods;
7. payments take place, cancelling all or part of the credit and the corresponding risk carried by the credit guarantee company."