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NORTH ATLANTIC COUNCIL

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DOCUMENT
AC/127-D/174(Final)

COMMITTEE OF ECONOMIC ADVISERS

REPORTING PROCEDURE ON CREDITS OF OVER
180 DAYS TO COMMUNIST COUNTRIES

Note by the Chairman

In accordance with the decision taken by the Committee at its meeting on 18th February, 1965(1), the text of the new reporting procedure on credits of over 180 days to Communist countries is circulated herewith. This procedure will apply, for the first time, to reports on credits outstanding as at 31st December, 1964.

(Signed) P.D. GREGH

(1) AC/127-R/152, Item I

OTAN/NATO,
Paris, XVIe.

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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), 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(6), to the Economic Directorate.

The reports should show separately the amount of credits to the Soviet Union, Poland, the Soviet-occupied Zone of Germany including the Soviet-occupied Sector of Berlin, Albania, Bulgaria, Czechoslovakia, Hungary, Rumania, Communist China and, grouped together, North Korea, North Vietnam and Mongolia. For each Communist country or group of countries, member countries should:

- (a) give the total amount of outstanding credits(7)
- (b) and, in addition, indicate separately:
 - (i) on the one hand, the amount of outstanding credits extended for a period of over five years(8);
 - (ii) on the other hand, the amount of all new outstanding credits granted during the last six-month period covered by their report.

On the basis of the information received, the Economic 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(1).

(1) 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."

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(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.
- (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.

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- 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, Rumania, Bulgaria, Albania, the Soviet-occupied Zone of Germany including the Soviet-occupied Sector of Berlin, Communist China, Mongolia, North Korea, North Vietnam.

(6) 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.

(7) 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, or bank, or other financial institutions and the guaranteeing body have signed a contract setting out the risk to be covered (Stage 5 in Annex as regards credits defined in (2)(a) above).

(8) Over five years

Duration and starting point defined as under(4).

(9) Statistical report

The returns by each NATO country will be collated by the Economic Directorate who, in accordance with the principle stated in the basic document C-M(59)75, paragraph 6, of 3rd August, 1959, will in no circumstances

disclose the information provided by individual countries, and will only circulate for the information of the Committee of Economic Advisers:

- (a) the totals returned by NATO countries as a whole for each of the recipient areas on which information is received.
- (b) In a separate table, totals for credits of over five years granted by NATO countries as a whole to each of the recipient areas on which information is received.
- (c) In another table, totals for new outstanding credits granted, during the last six-month period covered by the statistical report, by NATO countries as a whole to 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."

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CREDITS GRANTED TO THE FOLLOWING COMMUNIST COUNTRIES, OUTSTANDING AS AT (date)	A			B			C		
	TOTAL AMOUNT OF OUTSTANDING CREDITS OF OVER 180 DAYS(1)(2)			AMOUNT OF OUTSTANDING CREDITS OF OVER 5 YEARS(2)			AMOUNT OF ALL NEW OUTSTANDING CREDITS GRANTED DURING THE LAST SIX-MONTH PERIOD COVERED BY THE REPORT		
	Government-to-government credits	Export credits officially backed	Private firms credits not covered by government guarantee	Government-to-government credits	Export credits officially backed	Private firms credits not covered by government guarantee	Government-to-government credits	Export credits officially backed	Private firms credits not covered by government guarantee
I. USSR									
Poland									
Soviet-occupied Zone of Germany, including the Soviet occupied Sector of Berlin									
Albania									
Bulgaria									
Czechoslovakia									
Hungary									
Rumania									
<u>Sub-total</u>									
II. Communist China									
Mongolia - North Korea } North Vietnam }									
<u>Sub-total</u>									
TOTAL									

(1) Amounts in column (A) include those given in columns (B) and (C)

(2) It is recalled that outstanding credits should continue to be reported until they are fully reimbursed.

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