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COMMITTEE OF ECONOMIC ADVISERS

CREDITS TO THE SOVIET BLOC⁽¹⁾

Draft Report to the Council

I. Introduction

On 5th August, 1959, the Council approved a report by the Committee of Economic Advisers on credits to the Soviet Bloc⁽²⁾. In so doing the Council established a procedure according to which the Committee of Economic Advisers would keep under continuous study the granting of credits by NATO countries to the Soviet bloc. The Council also noted that the Committee of Economic Advisers would report on the outcome of the reviews described in paragraph 6 of C-M(59)75.

2. Following the instructions of the Council, the Committee of Economic Advisers has examined information received from member countries showing the position of credits granted to the Soviet bloc as of 31st July, 1959, and as of 31st January, 1960. The purpose of this report is to present the results of this examination to the Council. The Committee wish to call the Council's attention to the fact that the period under consideration (6 months) is too short to permit a definite trend to be discerned with regard to the granting of credits to the Soviet bloc. The conclusions of this report are, therefore, to be understood as tentative. A further report will be submitted to the Council when the returns covering the situation as of 31st July, 1960, have been examined.

II. Credits outstanding⁽³⁾

3. Data provided by NATO governments on credits are summarised in the following table:

- (1) As agreed, the Soviet bloc is understood to include, in addition to the USSR, Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Rumania, the Soviet occupied zone of Germany and the Soviet occupied sector of Berlin.
- (2) C-M(59)75 and C-R(59)30, paragraph 10.
- (3) For a complete definition of this term see AC/127-R/41, Item I, and AC/127-WP/45.

TABLE I

Credits granted by NATO countries to the Soviet bloc

A. Credits outstanding on dates indicated

(Million dollars)								
	USSR		Poland		Other bloc countries		Total	
	31/7/59	31/1/60	31/7/59	31/1/60	31/7/59	31/1/60	31/7/59	31/1/60
1. Private non-guaranteed credits (1)	0.5	0.5	0	0	3.6	12.0	4.1	12.4
2. Government to-government credits	0	0	87.8	86.8	0	0	87.8	86.8
3. Private credits guaranteed by governments	36.8	99.5	142.5	156.6	17.9	49.6	197.2	305.8
TOTAL	37.3	100.0	230.3	243.4	21.5	61.6	289.0	405.1

(1) A number of governments are not in a position to report on private non-guaranteed credits; such credits, however, probably did not account for more than a small fraction of the total.

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B. Increase between 31st July, 1959 and 31st January, 1960

(Million dollars)

	USSR	Poland	Other bloc countries	Total
1. Private non-guaranteed credits (1)	0	0	8.4	8.4
2. Government-to-government credits	0	- 0.9	0	- 0.9
3. Private credits guaranteed by governments	62.8	14.0	31.8	108.6
TOTAL	62.8	13.1	40.2	116.1

4. On the basis of the information given above only tentative conclusions can be drawn:

(a) During the six-month period ending 31st January, 1960, the level of credits granted to the Soviet bloc has clearly increased. Credits guaranteed by governments are the most important form of such credits and have increased most in absolute terms. On present data, covering so short a period, it is not yet possible to determine whether this development will continue.

(b) Poland has enjoyed a special position as a recipient of Western credits; she is the only country which has received government-to-government credits and she accounted for about half the private credits granted to the bloc at the end of January, 1960. Poland has, however, only received a small part of the additional credits granted during the period under review.

(1) A number of governments are not in a position to report on private non-guaranteed credits; such credits, however, probably did not account for more than a small fraction of the total.

III. Trade

5. It has not been found possible to establish trade figures which could be directly compared with the credit figures given above. Credits normally run over a varying length of time, up to five years. From the information available it does not appear at what period the actual shipment of goods made possible by these credits has taken or will take place. Therefore, corresponding figures for credits and trade cannot readily be determined.

6. All that can be said is that trade between NATO countries and the Soviet bloc has grown considerably in the last decade and is now about twice as large as in 1950. However, exports from NATO countries to the Soviet bloc has expanded by only 10% from 1957-1959, as is shown by the following table.

TABLE II

Exports of NATO countries to the Bloc

Year	USSR	Poland	Other bloc countries	Total
1957	411.7	266.8	421.6	1,100.1
1958	446.2	310.6	424.3	1,181.1
1959	429.9	287.3	509.0	1,226.2

About half of Western exports to the bloc are in the form of agricultural products, raw materials and semi-manufactured goods. Approximately one-third consists of machinery and equipment.

7. It is hardly possible to make any forecasts about the likely development of East-West trade in the near future. One may point out, however, that, in order to balance her external accounts, the USSR has, during the last five years, relied heavily on the sale of gold on world markets. Sales of gold are thus reported to have reached some 7½ million ounces in 1959, to a value of about \$260 million. No reliable figures are available of gold production or stocks since the Soviet bloc maintains complete secrecy on this subject. It is, therefore, uncertain whether Soviet bloc gold sales could in the future close the deficit on her balance of payments. This balance of payments

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deficit is likely to increase since the USSR, in order to meet the targets of her new 7-year plan will be compelled to increase her imports, especially of capital goods, from the West. With limited opportunities to expand exports, the Soviet bloc is probably faced with a choice between expanding her sales of gold or obtaining Western credits or a combination of the two in order to assure the necessary inflow of equipment and know-how from the West. Some time will undoubtedly elapse before the policy of the USSR, with regard to financing of increased imports from the West, becomes apparent.

OTAN/NATO,
Paris, XVIc.