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N A T O C O N F I D E N T I A L

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ADDENDUM to
WORKING PAPER
AC/127-WP/575

ECONOMIC COMMITTEE

Addendum to Working Paper AC/127-WP/575 dated 29th May, 1978

Note by the Acting Chairman

This paper supplements and updates AC/127-WP/575 by showing the trend in 1977 of officially-backed export credits granted by NATO countries to the Communist countries. Its contents will be incorporated in a revised version of the report once the latter has been re-examined by the Economic Committee on 14th September, 1978.

(Signed) P. JOSEPH

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1. In 1977, officially-backed export credits(1) (commitments) granted by NATO countries(2) to the Communist countries totalled \$6.4 milliard, or a little less than in 1976 (\$7.0 milliard).

2. The Soviet Union and Poland were once again the main borrowers (\$2.4 and \$2.5 milliard respectively). However, loans to the Soviet Union were 30% below the 1976 figure, mainly because of the improvement in the Soviet balance of payments on current account, whereas credits for Poland rose again steeply (+37%). For the other East European countries borrowings were down 21% in the case of the GDR (\$0.5 milliard) and about the same as in 1976 for the other countries. At the same time, the credits extended to China (\$0.4 milliard) registered a sharp rise (see Table I).

3. The Soviet debt burden of \$12.4 milliard(3) increased at the same rate as in 1976, i.e. by 22%, whereas outstanding credits to the East European countries (\$11.0 milliard) rose faster than during the previous year (+43% as against 33%). The 55% increase, for the second year running, in the Polish debt burden (\$7.0 milliard)(3) deserves special mention. Outstanding credits to China (\$0.7 milliard) continued to fall (Table II).

4. The credits actually made available to the USSR by the NATO countries(4) (\$1.9 milliard) were slightly (9%) below those released in 1976. The Soviet Union remained the chief recipient of payments by members of the Alliance, closely followed by Poland, whose drawings of \$1.5 milliard were 65% up on the previous year. The cost of debt servicing(5) (principal plus interest) increased for all the European Communist countries, especially Poland where it more than doubled in the space of one year. And for Poland, the ratio of service payments to export earnings on Alliance markets rose sharply to 26% from the 1976 figure of 13% (see Tables IV and V).

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- (1) Credits of over six months.
(2) Excluding credits granted by the United Kingdom and, during the second half of the year, by Denmark.
(3) On the basis of credits committed, but not used.
(4) Excluding the United Kingdom and, during the second half of the year, Denmark.
(5) Excluding payments received by the United Kingdom and, during the second half of the year, Denmark.

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TABLE I - NEW OFFICIALLY-BACKED NATO COUNTRY EXPORT CREDITS TO
THE COMMUNIST COUNTRIES (COMMITMENTS) (*) IN 1977
(US \$ million at current prices)

Beneficiaries	Total new credits(1)(2)	Credits of over 5 years(1)(2)
Soviet Union	2,443.0	1,907.5
Poland	2,466.0	1,545.4
DDR	515.4	368.6
Bulgaria	157.5	115.2
Czechoslovakia	125.1	28.4
Hungary	11.6	-
Romania	203.5	77.0
Total Eastern Europe	3,459.1	2,134.6
China	373.8	-
North Korea	0.3	-
Cuba	87.5	73.8
Vietnam	46.9	26.4
Total Communist countries	6,410.6	4,142.3

(*) Credits of over 6 months.

(1) Excluding credits granted by the United Kingdom.

(2) Excluding credits granted by Denmark during the second half of the year.

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TABLE II -- OUTSTANDING OFFICIALLY-BACKED NATO COUNTRY EXPORT
CREDITS TO THE COMMUNIST COUNTRIES (AS AT 31ST DECEMBER, 1977(1))

Country	\$ million at current prices	% variation compared with 1976
Soviet Union	12,420.6	+ 22.0%
Poland	7,023.1	+ 55.9%
GDR	1,653.4	+ 39.5%
Bulgaria	602.4	+ 40.0%
Czechoslovakia	632.4	+ 22.1%
Hungary	119.0	- 26.9%
Romania	971.5	+ 6.3%
Total Eastern Europe	11,001.8	+ 42.7%
China	679.0(2)	- 4.4%
North Korea	223.0(2)	- 4.7%
Cuba	615.1(2)	+ 12.6%
Vietnam	96.9(2)	+ 55.3%
Total Communist countries	25,036.4	+ 28.8%

- (1) Situation as at 30.6.76 for credits granted by Denmark.
(2) For these countries, outstanding credits from the United Kingdom are not known; the figures shown are those for end-1976.

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TABLE III - PROPORTION OF OVER-5 YEAR CREDITS
IN OUTSTANDING OFFICIALLY-BACKED NATO COUNTRY
EXPORT CREDITS TO COMMUNIST COUNTRIES:
SITUATION AS AT 31ST DECEMBER, 1977(1)

(in %)

Soviet Union	80.5
Poland	77.8
GDR	71.0
Bulgaria	71.5
Czechoslovakia	53.1
Hungary	44.4
Romania	36.1
Total Eastern Europe	70.9
China	-
North Korea	-
Cuba	35.9
Vietnam	84.1
Total Communist countries	73.4

(1) Excluding credits granted by the United Kingdom and the United States.

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TABLE IV -- DRAWINGS(1) FROM OFFICIALLY-BACKED CREDITS GRANTED BY
NATO COUNTRIES AND SERVICE PAYMENTS(2) BY COMMUNIST COUNTRIES IN
RESPECT OF THIS TYPE OF CREDIT IN 1977
(\$ millions at current prices)

Country	Drawings	Service payments(3)	Net Credits(4)
Soviet Union	1,873.0	1,281.3	+ 591.7
Poland	1,518.7	679.8	+ 838.9
GDR	367.5	183.2	+ 184.3
Bulgaria	96.7	71.0	+ 25.7
Czechoslovakia	101.6	88.5	+ 13.1
Hungary	25.3	36.1	- 10.3
Romania	169.5	234.3	- 64.8
Total Eastern Europe	2,279.8	1,292.9	+ 986.9
China	426.7	446.1	- 19.4
North Korea	5.0	9.4	- 4.4
Cuba	121.3	41.2	+ 80.1
Vietnam	44.7	16.9	+ 27.8
Total Communist countries	4,750.5	3,087.8	+ 1,662.7

- (1) Excluding drawings from credits granted by the United Kingdom and, during the second half of the year, Denmark.
(2) Excluding payments received by the United Kingdom and, during the second half of the year, Denmark.
(3) Principal plus interest.
(4) Net credits have been defined as the algebraic difference between drawings and debt servicing.

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TABLE V -- SERVICING OF DEBTS(1) INCURRED IN
RESPECT OF OFFICIALLY-BACKED EXPORT CREDITS
GRANTED BY NATO COUNTRIES(2) AS A PERCENTAGE
OF COMMUNIST COUNTRY EXPORTS (FOB) TO ALLIANCE COUNTRIES IN 1977

Soviet Union	13.2
Poland	25.7
GDR	7.8
Bulgaria	18.9
Czechoslovakia	7.0
Hungary	3.1
Romania	15.9
Total Eastern Europe	14.0
China	37.9
Cuba	24.1

Comment: Eastern country exports have been expressed FOB by applying a multiplying factor of 0.925 to the CIF Western import statistics published by the OECD.

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- (1) Principal plus interest.
(2) Excluding payments by Communist countries by way of repayment of credits granted by the United Kingdom and, during the second half of the year, Denmark.

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TABLE VI -- CALENDAR OF DEBT SERVICE PAYMENTS (*)
AS AT 31ST DECEMBER, 1977
(\$ millions at current prices)

Country	1978	1979	1980	1981	1982	1983	1984	1985 and beyond	not spec- ified
Soviet Union	1,481.7	1,690.7	1,670.6	1,468.2	1,342.6	902.1	674.3	1,140.6	2,047.4
Poland	1,003.2	793.3	697.0	673.3	443.7	359.1	305.4	403.1	2,340.6
GDR	181.2	170.2	190.4	210.3	197.0	166.3	131.4	327.4	61.9
Bulgaria	98.8	98.4	97.4	81.0	64.5	53.3	43.1	30.5	34.6
Czechoslovakia	108.3	111.1	90.6	76.3	58.0	44.9	25.7	14.3	101.0
Hungary	18.5	15.7	13.0	10.4	4.2	3.0	1.1	-	52.8
Romania	232.5	174.1	112.3	75.1	51.9	28.7	15.6	8.8	270.6
Total Eastern Europe	1,642.5	1,362.8	1,200.7	1,126.4	819.3	655.3	522.3	784.1	2,861.5
China	226.6	85.1	217.4	67.0	4.4	2.1	-	-	76.3
North Korea	52.7	47.2	25.6	13.2	6.2	-	-	-	78.3
Cuba	76.6	82.0	72.6	63.7	42.9	37.9	29.3	58.3	145.7
Vietnam	14.9	11.3	11.0	10.6	9.5	8.3	7.8	8.9	14.5

(*) Comment: No information is available on the repayments schedule for United Kingdom and some United States credits so the outstanding credits in this category at end-1977 have been added to the repayments for which no year was specified.

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TABLE VII - TRADE DEFICIT OF THE EUROPEAN
COMMUNIST COUNTRIES AND CHINA VIS-A-VIS THE NATO COUNTRIES

(\$ million FOB-FOB)(1)

Country	1976	1977
Soviet Union	2,557.0	1,859.5
Poland	1,479.0	919.7
GDR(2)	402.0	304.9
Bulgaria	356.9	326.4
Czechoslovakia	449.8	277.9
Hungary	287.4	494.9
Romania	92.4	243.2
Total Eastern Europe	3,067.5	2,567.0
China	496.9	256.6

- (1) The conversion of NATO country imports from Communist countries on an FOB basis has been done by applying a multiplying factor of 0.925 to the CIF figures published by the OECD.
- (2) Including the balance of intra-German transactions.

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