

CONSEIL DE L'ATLANTIQUE NORD
NORTH ATLANTIC COUNCIL

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C-M(61)7

CREDITS TO THE SOVIET BLOC

SECOND REPORT TO THE COUNCIL COVERING THE PERIOD
UP TO 31ST JULY, 1960

Note by the Chairman of the Committee of
Economic Advisers

In accordance with the Council's instructions (1), the Committee of Economic Advisers submit its second report (2) on credits by NATO countries to the Soviet bloc. It should be noted that the present report is factual and does not attempt to draw any conclusions with regard to the policy of member countries in this field.

(Signed) F.D. GREGH

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OTAN/NATO,
Paris, XVIe.

- (1) C-M(59)75 and C-R(59)30, paragraph 10
- (2) For first report of 21st June, 1960, covering the period up to 31st January, 1960, see C-M(60)63.

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CREDITS TO THE SOVIET BLOC(1)SECOND REPORT TO THE COUNCIL COVERING THE PERIOD
UP TO 31ST JULY, 1960I. Introduction

1. 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, 31st January, 1960, and 31st July, 1960. The purpose of this second report is to present the results of this examination to the Council. A further report will be submitted to the Council when the returns covering the situation as of 31st January, 1961, have been examined.

II. Credits Outstanding(2)

2. Data provided by NATO governments on credits are summarised on the following page:

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- (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) For a complete definition of this term see AC/127-R/41, Item 1, and AC/127-WP/45.

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TABLE I

CREDITS GRANTED BY NATO COUNTRIES TO THE SOVIET BLOCA. Credits outstanding on dates indicated

(million dollars)

Type of credit	USSR			Poland			Other Bloc Countries			Total		
	31.7.59.	31.1.60.	31.7.60.	31.7.59.	31.1.60.	31.7.60.	31.7.59.	31.1.60.	31.7.60.	31.7.59.	31.1.60.	31.7.60.
1. Private non-guaranteed credits	0.5	0.5	18.5	0	0	0	3.6	12.0	0	4.1	12.5	18.5
2. Government-to-government credits	0	0	0	87.8	86.8	85.9	0	0	0	87.8	86.8	85.9
3. Private credits guaranteed by governments	36.8	36.9	173.3	162.0	162.9	157.9	33.7	73.6	119.5	232.4	273.5	450.7
TOTAL	37.3	37.4	191.8	249.8	249.7	243.8	37.3	85.6	119.5	324.3	372.8	555.1

B. Increase between dates indicated

Type of credit	USSR				Poland				Other Bloc Countries				Total			
	31.7.59.- 31.1.60.		31.1.60.- 31.7.60.		31.7.59.- 31.1.60.		31.1.60.- 31.7.60.		31.7.59.- 31.1.60.		31.1.60.- 31.7.60.		31.7.59.- 31.1.60.		31.1.60.- 31.7.60.	
	Amount (1)	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Private non-guaranteed credits	0	0	18.0	37 times	0	0	0	0	8.4	233.0	-12.0	-100.0	8.4	204.1	6.0	48.0
2. Government-to-government credits	0	0	0	0	-1.0	-1.2	-0.9	-1.1	0	0	0	0	1.0	-1.2	-0.9	-1.1
3. Private credits guaranteed by governments	0.1	0.3	136.4	3696	0.9	0.6	-5.0	-3.1	39.9	118.4	45.9	62.4	41.1	17.7	177.2	64.8
TOTAL	0.1	0.3	154.4	412.8	-0.1	0.0	-5.9	-2.4	48.3	129.5	33.9	39.6	48.5	14.9	182.3	48.9

(1) In all cases amounts are in millions of dollars

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This table calls for the following comments:

(a) Private non-guaranteed credits

Most countries do not find it possible to report on private non-guaranteed credits. However, it is generally felt that they are of minor importance only. In this connection it is noteworthy that the USSR established, in September 1958, a company (Garant Versicherung AG) in Austria for the specific purpose of insuring East-West trade. This company gives credit insurance as an extension of transport insurance, provides deficiency guarantees and insures risks arising from trade between the two areas. It is reported that in the first year of operations contracts covered by the company reached a value of about \$23 million(1). Though the activity of this company has not been limited to NATO countries, such credit insurance as has been made available now probably accounts for a substantial part of the private non-guaranteed credits extended by NATO countries.

(b) Government-to-government credits

Government-to-government credits exclude credits granted under bilateral trade agreement with the Soviet bloc since they normally run over a period of less than 180 days. Sales of agricultural commodities under United States Public Law 480 are not considered as credits.

(c) Private credits guaranteed by governments

A number of replies by governments have not, in the past, strictly conformed to the definition of private credits guaranteed by governments as given by the Committee of Economic Advisers. Partly for this reason, figures in the previous report understated the level of credits as of 31st July, 1959, and overstated the level as of 31st January, 1960. Information which has recently been made available has made corrections necessary to figures given in the previous report, which can therefore be considered as superseded by the new data contained in this report. It should be noted, however, that the present figures indicating the level of credits as of 31st July, 1959, are probably somewhat overstated; this would mean that the rate of increase of credits in the six-month period ending 31st January, 1960, is slightly larger than indicated in Table I. However, this discrepancy hardly affects seriously the conclusions of this report.

3. It is instructive to examine the growth of credits in the light of the expansion of exports by NATO countries to the bloc. In Chart I, below, the level of credits at different dates has been compared with the annual value of exports. Such a comparison, however, can only be made with considerable reserve.

(1) For further details see AC/127-D/53 and AC/127-D/55

Credits normally run over a varying length of time, up to five years, and it is not possible, from information available, to determine at what time the actual shipment of goods made possible by the credits has taken or will take place.

4. The following picture emerges from a study of the information available:

(a) The overall level of credits made available to the Soviet bloc rose by about 70% in the twelve-month period ending 31st July, 1960. While in the first six months of this period the level of credits rose by some 15%, in the second half they increased by nearly 50%. The main reason for this sharp rise in the latter half of the period under review is the five-fold increase in credits to the USSR. Though the level of credits accorded to the satellites other than Poland has generally continued to rise, the rate of increase has been smaller during the latter half of the period. While credits to Poland still represent the largest single group, they have been nearly stable in absolute terms, and take up a diminishing share of the total, falling from 67% on 31st January, 1960, to 44% on 31st July, 1960.

(b) Private credits guaranteed by governments are still the most important form of credit, accounting for some four-fifths of the total. These credits have also increased the most in absolute terms in the twelve month period ending 31st July, 1960 - by some \$218 million.

(c) In accordance with the agreed policy of NATO governments no government-to-government credits have been granted to the USSR or the satellites other than Poland. Poland, which enjoys a special status, has received such credits even though their level has tended to decline slightly during the period under review.

(d) Though private non-guaranteed credits remain relatively small they have been growing rapidly.

(e) If the value of credits is compared to exports it may be seen that the total of these credits accorded to the Soviet bloc as of 31st July, 1960, corresponds to about a third of the annual value of exports of NATO countries to the bloc in 1959. Credits to Poland, which are the most important, are equal to more than four-fifths of the value of exports of NATO countries to this country in that year. On the other hand, the credits granted to the USSR only correspond in value to about half the 1959 exports to the USSR. While credits may not be of critical importance to the Soviet bloc if they are considered in relation to total investments made in these countries, they do play an important rôle in certain sectors of the economy. The USSR will, for example, have to rely to a considerable extent on the West for equipment and entire plants for the chemical industry if the targets of the Seven Year Plan are to be met. In this sector the communists can be expected to press for more Western credits.

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CHART I

CREDITS GRANTED BY NATO COUNTRIES TO THE SOVIET BLOC COMPARED WITH EXPORTS TO THE BLOC

