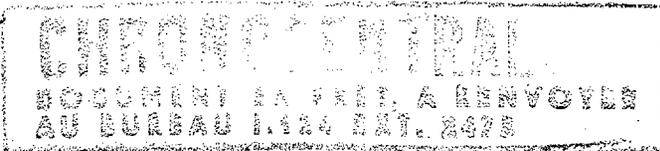


CONSEIL DE L'ATLANTIQUE NORD
NORTH ATLANTIC COUNCIL

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21st July, 1964

NATO CONFIDENTIAL
DOCUMENT
C-M(64)62

CREDITS GRANTED BY NATO COUNTRIES TO THE
SOVIET BLOC AND COMMUNIST CHINA

NINTH REPORT TO THE COUNCIL COVERING THE
PERIOD UP TO 31st DECEMBER, 1963

Note by the Chairman of the Committee of
Economic Advisers

The present report on NATO countries' credits to the Soviet bloc and Communist China is the ninth of its kind submitted to the Council by the Committee of Economic Advisers. Like its predecessors, it is limited to a statistical analysis of the development of such credits and the Council is therefore invited only to take note of it.

2. The Committee intends to continue to establish such periodical reports. With a view to improving the information on the export credits granted by member countries to Communist countries, the Committee:

- (i) has reached agreement on the inclusion in future reports of export credits for which regional agencies have given official cover or which have been financed by provincial local governments or organizations under their control, or by a nationalised concern, in cases where such official backing has come to the knowledge of the national government(1). In this respect, the Federal Republic of Germany has reached an understanding with the Laender which assures that the Federal Government will be informed of the extension of such guarantees(2);
- (ii) is seeking to introduce a procedure for separate ex post facto notification of officially backed export credits exceeding 5 years to Communist countries(3).

(1) AC/127-R/131, Item I(2) and (4)
(2) AC/127-R/138, Item II(2)
(3) AC/127-D/154(Revised)

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3. However, at the same time, the Committee of Economic Advisers has asked me to draw the attention of the Permanent Representatives to the situation which stems from document C-M(64)38 of 30th April, 1964. It will be recalled that, in accordance with the Council's decision of 12th June, 1963(1), the Committee has studied at length the implications for the Alliance of the granting of long-term guaranteed export credits to Communist countries and the possibility of evolving an agreed policy on credits to the Soviet bloc and Communist China. But no unanimity of views has been obtained as a result of these studies. The Committee informed the North Atlantic Council in Ministerial Session of this situation in document C-M(64)38 and suggested that the Council might decide if it was appropriate to give new instructions to the Committee. However, in the event, no discussion arose at The Hague.

4. In the circumstances, the Committee proposes, with a view to safeguarding NATO countries' interests, to continue to follow closely further developments in the field of credits to the Communist countries, in the light in particular:

- (a) of the statistical reports on the development of such credits;
- (b) and, if the need arise, of further studies which would appear useful.

(Signed) F.D. GREGH

OTAN/NATO,
Paris, XVIe.

(1) C-R(63)32, Item V, paragraph 83

CREDITS GRANTED BY NATO COUNTRIES TO THE
SOVIET BLOC(1) AND COMMUNIST CHINA

Ninth report to the Council covering the period
up to 31st December, 1963

The present report, which is the ninth of its kind, has been prepared by the Committee of Economic Advisers on the basis of information received from delegations showing the position of credits granted by NATO countries to the Soviet bloc and to Communist China up to 31st December, 1963.

2. Outstanding credits to the Communist countries, at six-monthly intervals, from 31st July, 1959 (31st December, 1961 for China) to 31st December, 1963 are shown in Table I. Table II indicates the changes in the amount of credits between the dates chosen. A chart sets out the trend of credits and exports from NATO countries to the Communist countries covered by the report (the chart takes into account only private credits guaranteed by governments).

I. GENERAL REMARKS

3. When considering the tables and the chart, it should be kept in mind that:

- (a) in accordance with the established procedure only credits over 180 days have been reported;
- (b) the first reports included incomplete figures on private non-guaranteed credits to the Soviet bloc. Between the reporting dates mid-1961 and end-1962, information became so fragmentary that its inclusion in the table would have served no useful purpose. However, in 1963 some information has again been received on credits in this category and, in view of the order of magnitude

(1) As agreed, the Soviet bloc is understood to include the USSR, Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Roumania, the Soviet-occupied Zone of Germany and the Soviet-occupied Sector of Berlin.

involved, it has been included in the present report as of 30th June and 31st December, 1963. Such data remain fragmentary and, as they are given in the present report, they are not necessarily comparable to earlier reported figures on credits in this category;

- (c) the section on government-to-government credits does not include credits granted under bilateral trade agreements, which normally extend over a period of less than 180 days, nor does it include sales of agricultural commodities under Public Law 480 of the United States. Poland is the only Soviet bloc country which, by virtue of a special status, has received government-to-government credits. It has been agreed that, if any member country were to contemplate adopting an attitude not in conformity with the policy pursued by NATO of not granting any government-to-government credits to the USSR, such a country would immediately inform the Committee, so that the matter might be discussed there(1);
- (d) following a decision of the Committee of Economic Advisers of 19th February, 1963(2), the figures on private credits guaranteed by governments reported by member countries to the International Secretariat, comprise the total value of such credits, including that part of the credit which remains at the exporter's risk.

II. MAIN FEATURES IN THE DEVELOPMENT OF CREDITS

4. On the basis of the information in hand, a number of remarks may be made on the general trend of the reported credits; their distribution between the recipient countries, and their relation with exports to Communist countries.

- (a) Overall trend and developments in the various categories of credits

5. The overall level of credits to the Soviet bloc is shown to amount to well over \$1 billion and, furthermore, about \$50 million have been granted to Communist China; these amounts are closer to reality than has hitherto been the case, because of

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- (1) See C-M(59)75, paragraph 3
(2) AC/127-R/104, Item 1(4)

the inclusion of fragmentary information on private non-guaranteed credits. Including these latter, on which comparable information has been received for the two reporting dates in 1963, all credits rose by 15% in the last six months of that year. As no non-guaranteed credits have been reported for 1962, the overall increase from that year to mid-1963, which appears in Table II, cannot be taken as an expression of the rate of growth. Further comments on the development of credits are given with reference to the individual categories of credits:

- (i) government-to-government credits, from which only Poland has benefited, again diminished slightly; they are in the process of being progressively reimbursed and no new credits appear to have been granted since NATO started to follow the trend of credits to the Soviet bloc;
 - (ii) private credits guaranteed by governments, account for 85% of total credits (which now include fragmentary figures for non-guaranteed credits). They rose by 18% during the last six months of 1963, against 2.5% in the first half of that year. In 1961 and 1962 also, credits to the Soviet bloc increased faster in the second half than in the first half of the year. A comparison between the yearly increases in 1962 and 1963 may therefore be more significant; it shows an increase of 22% of the outstanding credits in this category in 1962 over those of end-1961, while the corresponding figure for 1963 is 21%;
 - (iii) the private non-guaranteed credits, on which only partial information is available, increased by 2% in the last six months of 1963. Out of these credits, 28% was granted to the USSR, 10% to Poland, none to the Soviet-occupied Zone and the bulk - 62% - to other countries of the Soviet bloc. These credits constitute 7% of the total of reported credits to the Soviet bloc, but of course this figure should not be considered as an indication of the relative importance private non-guaranteed credits would take if all member countries were able to report on this category.
- (b) Distribution of credits among recipient countries

6. In the last six months of 1963, no significant change took place in the share of the USSR total credits to the Soviet bloc, while that of Poland and the Soviet-occupied Zone of Germany fell. Credits to other countries of the Soviet bloc increased considerably, while those to Communist China fell to less than half of the amount outstanding six months earlier;

- (i) while non-guaranteed credits to the USSR increased only slightly, guaranteed private credits, which had decreased in the first half of the year, rose by 21% - slightly more than the average for the Soviet bloc. The USSR's share in total credits of the latter category, which had reached 42% in June 1962, was 38% at the end of 1963;
 - (ii) in the course of the last six months of 1963, guaranteed private credits to Poland fell by 4%, and its share of these credits diminished from 31% to 25%, while the relatively unimportant non-guaranteed private credits rose by 23%;
 - (iii) the decline in credits to the Soviet-occupied Zone of Germany, which began in the first half of 1963, continued; only guaranteed private credits have been reported, and these fell by 10%, bringing the Zone's share of the credits in this category extended to the Soviet bloc down from 8% in December 1962 to 5% at the end of 1963;
 - (iv) guaranteed private credits to other countries of the Soviet bloc, which, since 1962, have grown at a faster rate than credits to the USSR, show a particularly marked increase of 49%. This group of countries now accounts for 32% of the credits in this category, against 20% in 1961. The reported private non-guaranteed credits to these countries, which represented 14% of the total credits extended to them, decreased slightly in the last six months of 1963.
 - (v) credits to Communist China, which, apart from some minute non-guaranteed credits, consisted of guaranteed private credits, dropped by 54% in the course of the last six months of 1963. Their share in total credits of the latter category, granted to the Soviet bloc and Communist China combined, was 5% in 1963 against a maximum of 16% in June 1962.
- (c) Development of credits in relation to exports

7. The comparison between the trend in the level of credits and the value of exports which has been attempted in the attached chart has been made on the basis of private credits guaranteed by governments, since government-to-government credits now outstanding appear to bear no relation to recent exports (see paragraph 5(i)), and since information on non-guaranteed private credits is fragmentary and is not available over the whole period covered by the chart. As was pointed out in earlier reports, it is not possible, on the basis of available information, to determine at what period the delivery of goods,

to which the credits apply, is carried out, nor in consequence to establish a significant comparison between the volume of credits and of exports. In the case of Communist China credits rose by 43% between December 1961 and December 1962, and fell by 44% between the latter date and December 1963, while NATO countries' exports dropped by 2% in 1962 and by a further 6% in 1963. In the case of the Soviet bloc, the rate of growth of outstanding credits to the Soviet bloc since 1960 has been constantly greater than that of exports. While NATO countries' credits in 1962 and 1963 rose by 22 and 21% respectively, their exports increased by 1.7 and 5% only.

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TABLE I

CREDITS OUTSTANDING (1) ON DATES INDICATED

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(million United States \$)

Date and type of credits	USSR	Poland	Soviet-occupied Zone of Germany	Other Bloc (including Soviet Zone of Germany)	Total Soviet Bloc	Communist China	Total
<u>31st July, 1959</u>							
1. Private non-guaranteed credits	0.5	-	n.a.	3.6	4.1	n.a.	n.a.
2. Government-to-government credits	-	87.8	n.a.	-	87.8	n.a.	n.a.
3. Private credits guaranteed by governments	37.8	132.2	n.a.	8.1	178.1	n.a.	n.a.
TOTAL	37.8	220.0	n.a.	11.7	270.0	n.a.	n.a.
<u>31st January, 1960</u>							
1. Private non-guaranteed credits	0.5	-	n.a.	11.9	12.4	n.a.	n.a.
2. Government-to-government credits	-	86.8	n.a.	-	86.8	n.a.	n.a.
3. Private Credits guaranteed by governments	38.0	162.2	n.a.	41.0	241.2	n.a.	n.a.
TOTAL	38.5	249.0	n.a.	52.9	340.4	n.a.	n.a.
<u>31st July, 1960</u>							
1. Private non-guaranteed credits	18.3	-	n.a.	-	18.3	n.a.	n.a.
2. Government-to-government credits	-	85.9	n.a.	-	85.9	n.a.	n.a.
3. Private credits guaranteed by governments	100.9	158.5	n.a.	67.4	326.8	n.a.	n.a.
TOTAL	119.2	244.4	n.a.	67.4	431.0	n.a.	n.a.
<u>31st January, 1961</u>							
1. Private non-guaranteed credits	18.3	-	n.a.	(excluding Soviet Zone of Germany)	18.3	n.a.	n.a.
2. Government-to-government credits	-	84.9	-	-	84.9	n.a.	n.a.
3. Private credits guaranteed by governments	139.1	151.9	14.0	72.7	377.7	n.a.	n.a.
TOTAL	157.4	236.8	14.0	72.7	480.9	n.a.	n.a.
<u>31st July, 1961</u>							
1. Private non-guaranteed credits	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2. Government-to-government credits	-	83.9	-	-	83.9	n.a.	n.a.
3. Private credits guaranteed by governments	190.9	164.7	20.0	93.7	469.3	n.a.	n.a.
TOTAL	190.9	248.6	20.0	93.7	553.2	n.a.	n.a.
<u>31st December, 1961</u>							
1. Private non-guaranteed credits	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2. Government-to-government credits	-	83.9	-	-	83.9	n.a.	n.a.
3. Private credits guaranteed by governments	236.5	192.8	39.3	117.0	585.6	61.9(2)	647.5
TOTAL	236.5	276.7	39.3	117.0	669.5	61.9	731.4
<u>30th June, 1962</u>							
1. Private non-guaranteed credits	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2. Government-to-government credits	-	83.0	-	-	83.0	-	83.0
3. Private credits guaranteed by governments	262.0	182.7	43.5	134.8	623.0	124.8	747.8
TOTAL	262.0	265.7	43.5	134.8	706.0	124.8	830.8

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

(2) On 31st December, 1960, there were no outstanding credits to Communist China.

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TABLE I (Continued)

CREDITS OUTSTANDING(1) ON DATES INDICATED

(million United States \$)

Date and type of credits	USSR	Poland	Soviet-occupied Zone of Germany	Other Bloc (including Soviet Zone of Germany)	Total Soviet Bloc	Communist China	Total
<u>31st December, 1962</u>							
1. Private non-guaranteed credits	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2. Government-to-government credits	-	81.5	-	-	81.5	-	81.5
3. Private credits guaranteed by governments	283.5	221.4	57.3	152.5	714.7	88.7	803.4
TOTAL	283.5	302.9	57.3	152.5	796.2	88.7	884.9
<u>30th June, 1963</u>							
1. Private non-guaranteed credits	20.3	5.6	n.a.	45.4	71.3	n.a.	71.3
2. Government-to-government credits	-	79.5	-	-	79.5	-	79.5
3. Private credits guaranteed by governments	273.6	223.5	47.5	187.7	732.3	108.4	840.7
TOTAL	293.9	308.6	47.5	233.1	883.1	108.4	991.5
<u>31st December, 1963</u>							
1. Private non-guaranteed credits	20.6	6.9	-	45.2	72.7	0.07	72.8
2. Government-to-government credits	-	77.6	-	-	77.6	-	77.6
3. Private credits guaranteed by governments	330.3	215.4	42.8	279.1	867.6	49.5	917.1
TOTAL	350.9	299.9	42.8	324.3	1,017.9	49.6	1,067.5

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

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TABLE II

CHANGES BETWEEN DATES INDICATED

Date and type of credit	USSR		POLAND		Soviet Zone of Germany		Other Bloc (incl. Soviet Zone of Ger.)		Total Soviet Bloc		Communist China		TOTAL	
	Amount (1)	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<u>31st July, 1959 - 31st January, 1960</u>														
1. Private non-guaranteed credits	-	-	-	-	n.a.	n.a.	+ 8.3	+230.6	+ 8.3	+202.4	n.a.	n.a.	n.a.	n.a.
2. Government-to-Government credits	-	-	- 1.0	- 1.1	n.a.	n.a.	-	-	- 1.0	- 1.1	n.a.	n.a.	n.a.	n.a.
3. Private credits guaranteed by Governments	+ 0.2	+ 0.5	+30.0	+18.5	n.a.	n.a.	+32.9	+406.2	+63.1	+ 35.4	n.a.	n.a.	n.a.	n.a.
TOTAL	+ 0.2	+ 0.5	+29.0	+13.2	n.a.	n.a.	+41.2	+552.1	+70.4	+ 26.1	n.a.	n.a.	n.a.	n.a.
<u>31st January, 1960 - 31st July, 1960</u>														
1. Private non-guaranteed credits	+17.8	36.6 times	-	-	n.a.	n.a.	-11.9	-100.0	+ 5.9	+ 47.6	"	"	"	"
2. Government-to-Government credits	-	-	- 0.9	- 1.2	n.a.	n.a.	-	-	- 0.9	- 1.0	"	"	"	"
3. Private credits guaranteed by Governments	+62.9	+165.5	- 3.7	- 2.3	n.a.	n.a.	+26.4	+ 64.4	+85.6	+ 35.5	"	"	"	"
TOTAL	+80.7	+209.6	- 4.6	- 1.8	n.a.	n.a.	+14.5	+ 27.4	+90.6	+ 25.6	"	"	"	"
<u>31st July, 1960 - 31st January, 1961</u>														
1. Private non-guaranteed credits	-	-	-	-	n.a.	n.a.	-	-	-	-	"	"	"	"
2. Government-to-Government credits	-	-	- 1.0	- 1.2	n.a.	n.a.	-	-	- 1.0	- 1.2	"	"	"	"
3. Private credits guaranteed by Governments	+38.2	+ 37.9	- 6.6	- 4.2	n.a.	n.a.	+19.3	+ 28.6	+50.9	+ 15.6	"	"	"	"
TOTAL	+38.2	+ 32.0	- 7.6	- 3.1	n.a.	n.a.	+19.3	+ 28.6	+49.9	+ 11.6	"	"	"	"
<u>31st January, 1961 - 31st July, 1961</u>														
1. Private non-guaranteed credits	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	(excluding Soviet Zone of Germany)	n.a.	n.a.	n.a.	"	"	"	"
2. Government-to-Government credits	-	-	- 1.0	- 1.2	"	"	-	-	- 1.0	- 1.2	"	"	"	"
3. Private credits guaranteed by Governments	+51.8	+ 37.2	+12.8	+ 8.4	+ 6.0	+42.9	+21.0	+ 28.9	+91.6	+24.3	"	"	"	"
TOTAL	+53.5	+ 21.3	+11.8	+ 5.0	+ 6.0	+42.9	+21.0	+ 28.9	+72.3	+15.0	"	"	"	"
<u>31st July, 1961 - 31st December, 1961</u>														
1. Private non-guaranteed credits	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	"	"	"	"
2. Government-to-Government credits	-	-	-	-	"	"	-	-	-	-	"	"	"	"
3. Private credits guaranteed by Governments	+45.6	+ 23.9	+28.1	+17.0	+19.3	+96.5	+23.3	+ 24.9	+116.3	+24.8	"	"	"	"
TOTAL	+45.6	+ 23.9	+28.1	+17.0	+19.3	+96.5	+23.3	+ 24.9	+116.3	+21.0	"	"	"	"

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

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TABLE II

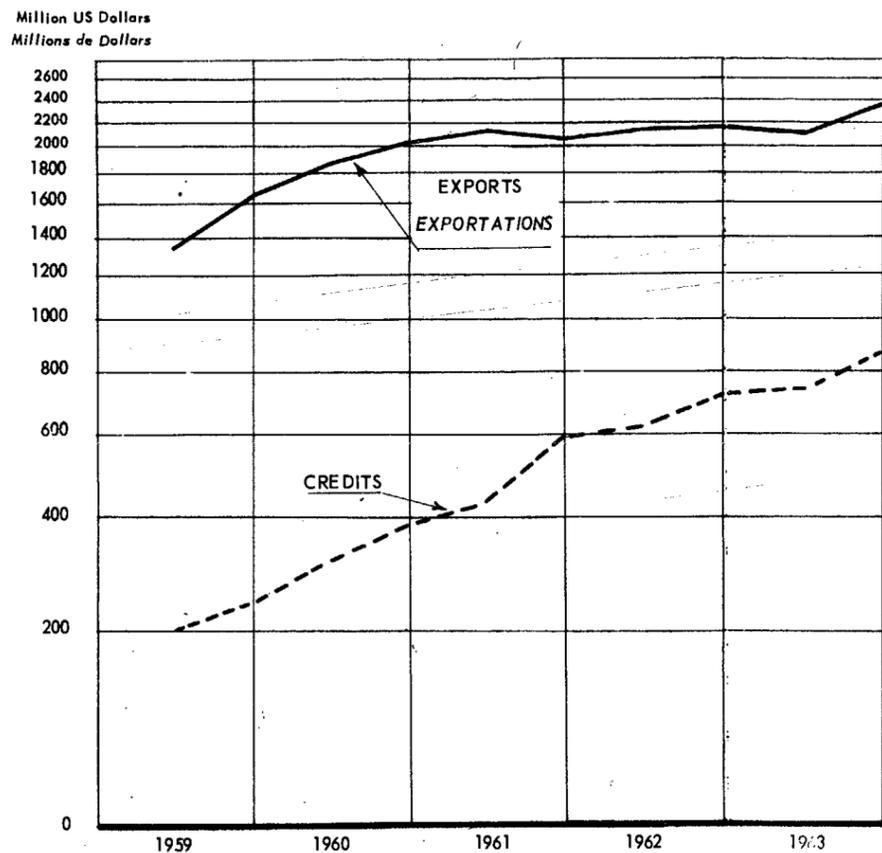
CHANGES BETWEEN DATES INDICATED (Contd.)

Date and type of credit	USSR		POLAND		Soviet Zone of Germany		Other Bloc (excl. Soviet Zone of Germany)		Total Soviet Bloc		Communist China		TOTAL	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<u>31st December, 1961 - 30th June, 1962</u>														
1. Private non-guaranteed credits	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2. Government-to-Government credits	-	-	-0.9	-1.1	-	-	-	-	-0.9	-1.1	-	-	-0.9	-1.1
3. Private credits guaranteed by Governments	+25.5	+10.8	-10.1	-5.2	+4.2	+10.7	+17.8	+15.2	+37.4	+6.4	+62.9	+101.6	+100.3	+15.5
TOTAL	+25.5	+10.8	-11.0	-4.0	+4.2	+10.7	+17.8	+15.2	+36.5	+5.5	+62.9	+101.6	+99.4	+13.6
<u>30th June, 1962 - 31st December, 1962</u>														
1. Private non-guaranteed credits	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2. Government-to-Government credits	-	-	-1.5	-1.8	-	-	-	-	-1.5	-1.8	-	-	-1.5	-1.8
3. Private credits guaranteed by Governments	+21.5	+8.2	+38.7	+21.2	+13.8	+31.7	+17.7	+13.1	+91.7	+14.8	-36.1	-28.9	+55.6	+7.4
TOTAL	+21.5	+8.2	+37.2	+4.0	+13.8	+31.7	+17.7	+13.1	+90.2	+12.8	-36.1	-28.9	+54.1	+6.5
<u>31st December, 1962 - 30th June, 1963</u>														
1. Private non-guaranteed credits	+20.3	-	+5.6	-	n.a.	n.a.	+45.4	-	+71.3	-	n.a.	n.a.	+71.3	-
2. Government-to-Government credits	-	-	-2.0	-2.5	-	-	-	-	-2.0	-2.5	-	-	-2.0	-2.5
3. Private credits guaranteed by Governments	-9.9	-3.5	+2.1	+0.9	-9.8	-17.1	+35.2	+23.1	+17.6	+2.5	+19.7	+22.2	+37.3	+4.7
TOTAL	+10.4	+3.7	+5.7	+1.9	-9.8	-17.1	+80.6	+52.8	+86.9	+10.9	+19.7	+22.2	+106.6	+12.1
<u>30th June, 1963 - 31st December, 1963</u>														
1. Private non-guaranteed credits	+0.3	+1.5	+1.3	+23.2	-	-	-0.2	-0.4	+1.4	+2.0	+0.07	-	+1.5	+2.1
2. Government-to-Government credits	-	-	-1.9	-2.4	-	-	-	-	-1.9	-2.4	-	-	-1.9	-2.4
3. Private credits guaranteed by Governments	+56.7	+20.7	-8.1	-3.6	-4.7	-9.9	+91.4	+48.7	+135.3	+18.4	-58.9	-54.3	+76.4	+9.1
TOTAL	+57.0	+19.4	-8.7	-2.8	-4.7	-9.9	+91.2	+39.1	+134.8	+15.3	-58.8	-54.3	+76.0	+7.6

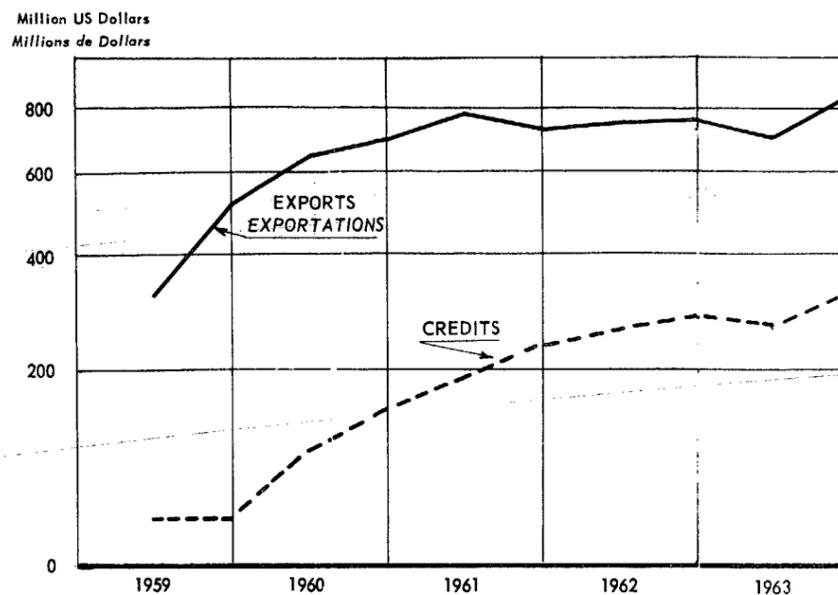
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DEVELOPMENT OF NATO COUNTRIES CREDITS (1) AND EXPORTS
TO THE SOVIET BLOC AND COMMUNIST CHINA
EVOLUTION DES CREDITS (1) ET DES EXPORTATIONS DES PAYS OTAN
VERS LE BLOC SOVIETIQUE ET LA CHINE COMMUNISTE

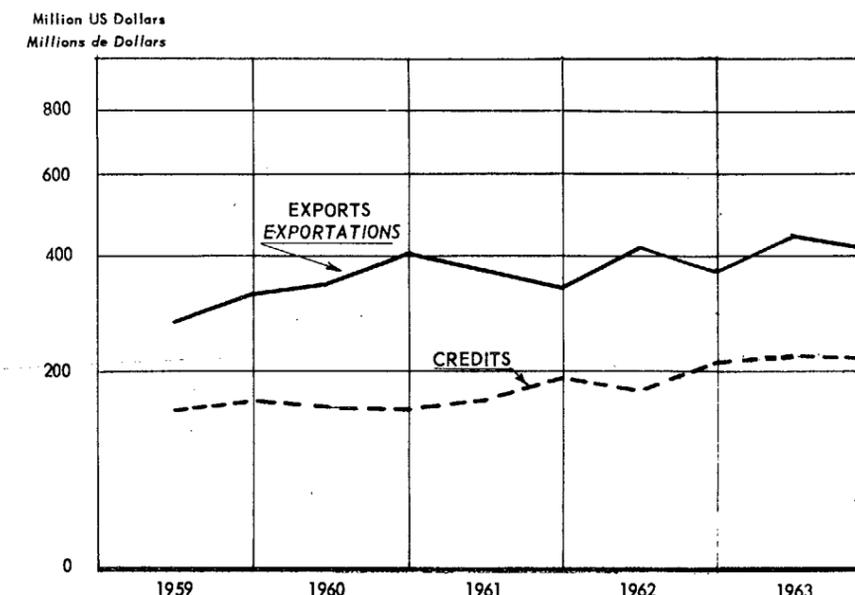
TOTAL SOVIET BLOC
(Not comprising Communist China)
TOTAL BLOC SOVIETIQUE
(Non compris la Chine communiste)



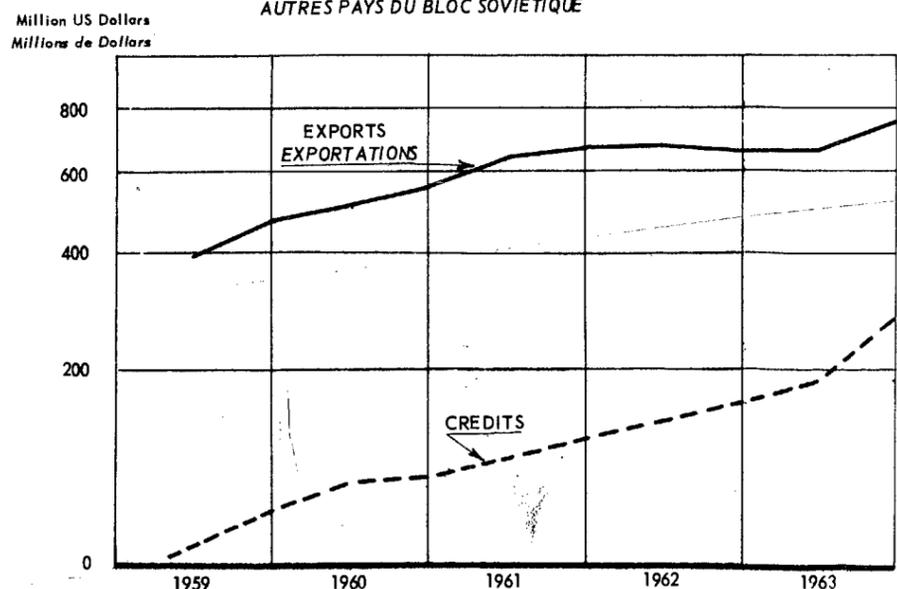
USSR - URSS



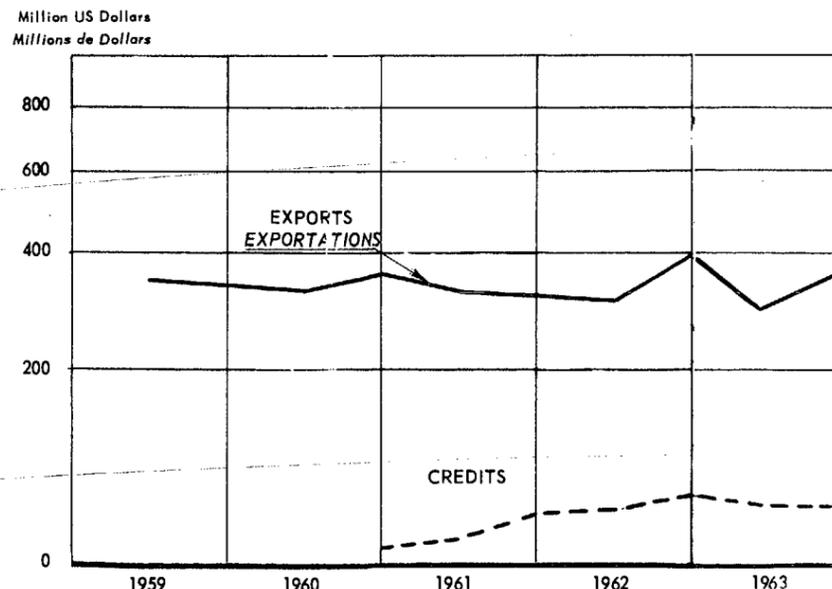
POLAND - POLOGNE



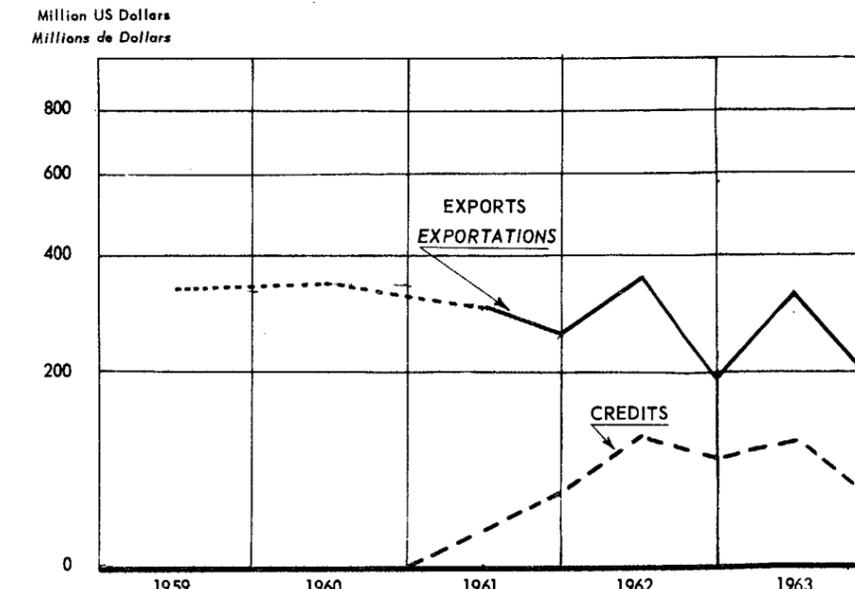
OTHER BLOC
AUTRES PAYS DU BLOC SOVIETIQUE



SOVIET OCCUPIED ZONE OF GERMANY
ZONE D'OCCUPATION SOVIETIQUE EN ALLEMAGNE



COMMUNIST CHINA (2)
CHINE COMMUNISTE



(1) Private credits guaranteed by Governments
Crédits privés garantis par les gouvernements

(2) Export figures are yearly for 1959 and 1960. Beginning 1961 export figures are half yearly and presented as yearly averages.
Les chiffres des exportations sont annuels pour 1959 et 1960. A compter de 1961 les chiffres des exportations sont semestriels et présentés comme les moyennes annuelles.