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C-M(59)75

ORIGINAL: ENGLISH
3rd August, 1959

CREDITS TO THE SOVIET BLOC

Report by the Committee of Economic Advisers

On 25th March, 1959, the Council agreed that the note by the Italian Delegation on trade between the USSR and member countries(1) should be remitted to the Committee of Economic Advisers for study and report to the Council, it being understood that the Committee of Political Advisers would be given the opportunity of discussing the political aspects of the matter prior to submission of the report to the Council.(2) This Italian note is primarily concerned with the questions involved in the granting of credits by NATO countries to the Soviet Union.

2. The USSR has recently made it known that she is ready to increase sharply her imports of capital goods from Western Europe, provided she can obtain credit. A Soviet official has mentioned the figure of \$1,000 million as the value of orders which the USSR is prepared to place over the next few years.

3. 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.

4. It is also generally recognised that there can be no real objection to granting short-term commercial credits (up to 180 days) to the Soviet bloc.(3)

(1) C-M(59)36, dated 20th March, 1959.

(2) C-R(59)12, Item XII. In order that the Council should have the report before the summer recess, the Committee of Political Advisers decided in the event to forego discussion of this report, having ascertained that the political considerations were being taken fully into account by individual delegations in the Economic Committee.

(3) i.e. USSR, Poland, Czechoslovakia, Hungary, Rumania, Bulgaria, Albania, the Soviet occupied zone of Germany and the Soviet occupied sector of Berlin.

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5. There are, however, differences of opinion in the Committee over the question of the extension of longer-term credits by private firms in the NATO countries to Soviet bloc countries. Some countries believe that the volume of unguaranteed credits could become substantial. Others have expressed the view that private firms will be unwilling to grant to the Soviet bloc large amounts of credit at their own risk; hence the volume of credits is likely to depend largely on the availability of government guarantees(1) which, in practice, are limited to medium-term credits of less than five years.(2) Some countries regard the extension of substantial medium-term credits to the Soviet bloc countries(3) as inimical to the purposes of the Alliance. Others hold the extension of commercial credits by private exporters to the Soviet bloc to be a normal and unobjectionable aspect of their foreign trade. Agreement has, however, been reached on the following course of action.

6. In order to provide a basis for further consideration of the trends of aggregates of longer-term credits (over 180 days) extended by NATO countries to the Soviet bloc countries, and of their possible implications, member countries will report through the International Staff to the Committee of Economic Advisers on the total amount of such credits outstanding to the Soviet bloc, showing separately private firms' credits covered by government guarantee and, if practicable, any private firms' credits not so covered, and any government credits to satellites of the Soviet Union. The figures reported will be broken down as between the Soviet Union, Poland, and the rest of the Soviet bloc. The returns by each NATO country will be collated by the International Staff, which will circulate, for the information of the Committee, the totals returned by NATO countries as a whole for each of the three areas, i.e. the Soviet Union, Poland, and the rest of the Soviet bloc. The first returns, to be submitted not later than 15th September, 1959, will show the position as on 31st July, 1959. Subsequent returns will be submitted at intervals of six months.

- (1) including guarantees extended by local authorities or other official institutions.
- (2) i.e. a credit period not exceeding five years after shipment or delivery.
- (3) As far as Poland is concerned, reference is made to C-M(57)45(Final).

7. The Council is invited:
- (1) to approve the above report;
 - (2) to note that the Committee will report to the Council on the outcome of the reviews described in paragraph 6;
 - (3) to note that other aspects of the problem of East/West trade will be considered by the Committee in due course.

(Signed) F. D. GREGH
Chairman

Palais de Chaillot,
Paris, XVIIe.