

CONSEIL DE L'ATLANTIQUE NORD  
NORTH ATLANTIC COUNCIL

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CREDITS GRANTED BY NATO MEMBER COUNTRIES TO THE USSR,  
THE EASTERN EUROPEAN COUNTRIES(1) AND COMMUNIST CHINA

TWELFTH REPORT(2) BY THE COMMITTEE OF ECONOMIC ADVISERS  
TO THE COUNCIL COVERING THE PERIOD UP TO 30TH JUNE, 1965

The present report is the twelfth of its kind(3). It has been prepared in pursuance of the reporting procedure on credits of over 180 days granted to Communist countries approved by the Committee of Economic Advisers on 18th February, 1965(4).

2. By the middle of 1965, credits granted to Communist countries amounted to \$1,646.2 million, of which \$348.2 million represented credits of over five years. Compared to the level reached on 31st December, 1964, the increase is of \$93.9 million or 6%. However, in this connection, it should be pointed out that almost no information has been received on the volume of private non-guaranteed credits granted to Communist countries and, whilst such credits as were reported by member countries up to the end of 1964 represented only a small percentage of total credits recorded in previous reports, the lack of data has slightly distorted the comparison between the situation of ourstanding credits at the end of June 1965 and at the end of December 1964.

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- (1) Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Rumania, Soviet-occupied Zone of Germany.
  - (2) This report gives the main findings of the study on the evolution of the credits granted to Communist countries which has been circulated as document AC/127-D/204(Revised).
  - (3) Previous reports have been circulated under the following references: C-M(60)63, C-M(61)7, C-M(61)55, C-M(62)8, C-M(62)63, C-M(62)150, C-M(63)46, C-M(63)131, C-M(64)62, C-M(64)134 and C-M(65)58.
  - (4) AC/127-D/174(Final).

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3. A better picture of the actual growth in the volume of credits emerges from the comparison of private credits guaranteed by governments outstanding at the end of 1964 and at the end of the first half of 1965. The increase in this case has been of \$180.6 million or 13%; most of it is attributable to the Soviet-occupied Zone of Germany, Bulgaria and Communist China. As a matter of fact, the share of the Soviet Union in the new private guaranteed credits granted during the first half of 1965 has only been 5.3%, whereas it was 43% for the second half of 1964. The evolution of these credits during the period under review has been as follows:

- (a) private guaranteed credits to the USSR fell to \$554 million, a decrease of about 6.1%;
- (b) private guaranteed credits to the Eastern European countries, taken together, rose to \$891.5 million, 25.3% above their level at the end of 1964;
- (c) private guaranteed credits to the Soviet-occupied Zone of Germany - amounting to \$121.6 million - have continued to grow vigorously; in percentage terms their increase was the highest among Eastern European countries: 87.4%;
- (d) private guaranteed credits to Bulgaria, Hungary, Rumania, Czechoslovakia and Poland increased respectively by 82.7%, 18.3%, 17.9%, 5.4% and 2%;
- (e) private guaranteed credits extended to Communist China grew substantially for the second time running; they went up from \$74.4 million to \$111.8 million, a rise of 50%.

4. The share of the various recipient countries in the total credits outstanding as of 30th June, 1965, is the following: USSR: 33.7%, Eastern Europe: 58.6% (of which Poland: 19.7%, Bulgaria: 10.5%, Rumania: 7.8%, Soviet-occupied Zone of Germany: 7.4%, Czechoslovakia: 7.1%, Hungary: 6.1%), Communist China: 6.7%, and Mongolia, North Korea and North Vietnam together: 1%.

5. At the end of June 1965, credits of over five years granted to the USSR and to the Eastern European countries amounted to \$348.2 million, of which \$70.4 million represented the balance of government-to-government credits granted to Poland before the setting up of the reporting procedure. Private credits guaranteed by the governments amounted therefore to \$277.8 million. The Soviet Union is the main recipient of the latter, \$150.4 million, followed by Rumania - \$29 million, Hungary - \$28.5 million, Poland - \$27.3 million, Czechoslovakia - \$26 million, Soviet-occupied Zone of Germany - \$9.3 million, Mongolia, North Korea and North Vietnam, together - \$6.3 million, and Bulgaria - \$1 million.

The share of private guaranteed credits of over five years in the total amount of outstanding credits in this category has grown from 13.6% in December 1964 to 17.6% in June 1965. In comparison with the figure reached at the end of 1964, private guaranteed credits of over five years' duration increased by \$88.8 million or 47%; the bulk of this amount represents new credits granted to Eastern European countries. New credits of over five years have a substantial share, 49.2%, in the increase (\$180.6 million) noted in the amount of private guaranteed credits between December 1964 and June 1965.

6. There has been a marked decline in NATO countries' exports to the USSR during the first half of 1965. Exports amounted to \$325.5 million only, respectively 45% and 24.7% less than during the first half and the second half of 1964. The fall has been much bigger in the case of North American exports than in that of European ones, which were even slightly higher than during the first half of 1964. The resumption this summer of very substantial wheat purchases by the Soviets will no doubt reverse this trend. However, these deals by reducing Soviet foreign exchange reserves might, as in the period January 1963/June 1964, result in a reduction of Soviet imports from Western Europe during the next few months. Exports to Eastern European countries also declined in comparison with their value during the second half of 1964, but they were still about 4.6% above their level for the first half of last year. It should be emphasised, however, that NATO European member countries' exports to Eastern Europe continued to rise and that the decline was entirely due to a sharp drop in North American sales which amounted to \$71.6 million only as against \$174.9 million for the first half of 1964 and \$167.3 million for the second half. Exports to Communist China followed a pattern similar to that of Eastern Europe, NATO European member countries' exports continued their upward movement started in 1964, whereas North American deliveries decreased. It is, however, arbitrary to correlate the curves of exports to Communist countries and of credits granted to them(1). To do so would be the more fallacious since the importance of credits of over five years is growing and these are even less likely than the others to correspond to exports which have taken place during the period under examination.

(Signed) F.D. GREGH  
Chairman

OTAN/NATO,  
Paris, XVIe.

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(1) 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 precise comparison between the volume of credits and of exports.

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TABLE I

## DEVELOPMENT OF CREDITS OUTSTANDING TO COMMUNIST COUNTRIES

(in million US \$)

	31st July 1959	31st December 1961	31st December 1962	31st December 1963	31st December 1964	30th June 1965
USSR	90.9	277.5	340.5	395.4	602.9	554.0
EASTERN EUROPE(1)	239.5	474.3	558.7	701.7	857.9	964.4
TOTAL	330.4	751.8	899.2	1,097.1	1,460.8	1,518.4
COMMUNIST CHINA	n.a.	62.0	93.5	51.3	74.6	111.8
MONGOLIA, NORTH KOREA, NORTH VIETNAM	n.a.	n.a.	n.a.	n.a.	16.9	16.0
GRAND TOTAL	330.4	813.8	992.7	1,148.4	1,552.3	1,646.2

(1) Eastern Europe: Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Rumania and the Soviet-occupied Zone of Germany.

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TABLE II  
CREDITS OUTSTANDING AS OF 30TH JUNE, 1965

(in million US \$)

	Outstanding credits of over 180 days	Of which outstanding credits of over five years
USSR	554.0	150.4
Poland	325.4	97.7(1)
Soviet-occupied Zone of Germany	121.6	9.3
Albania	-	-
Bulgaria	173.3	1.0
Czechoslovakia	116.1	26.0
Hungary	100.0	28.5
Rumania	128.0	29.0
TOTAL	<u>1,518.4</u>	<u>341.9</u>
Communist China	111.8	-
Mongolia, North Korea North Vietnam	16.0	6.3
TOTAL	<u>127.8</u>	<u>6.3</u>
GRAND TOTAL	1,646.2	348.2

(1) Of which \$70.4 million government-to-government credits.

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TABLE III

(in million US \$)

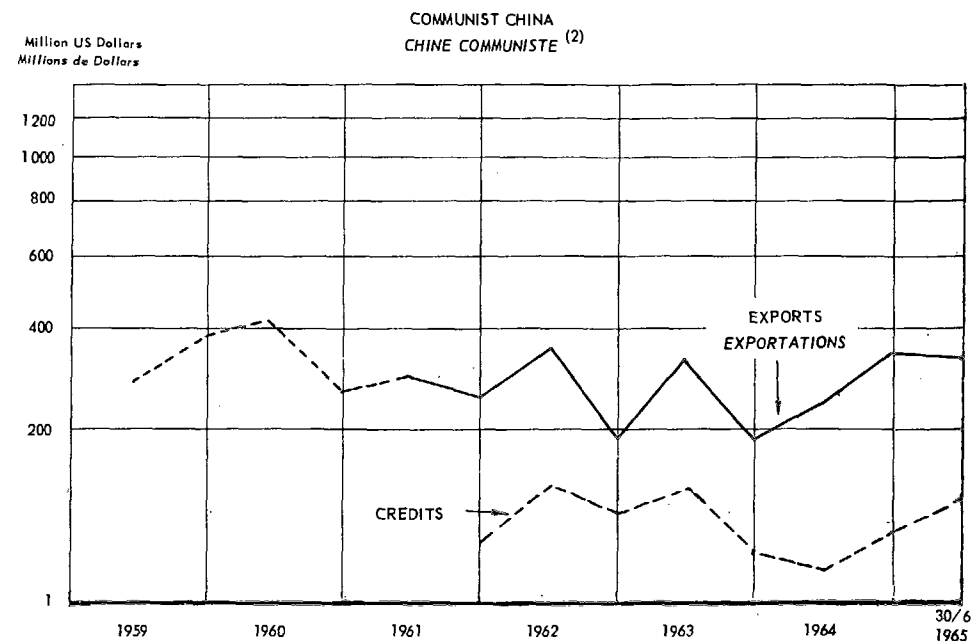
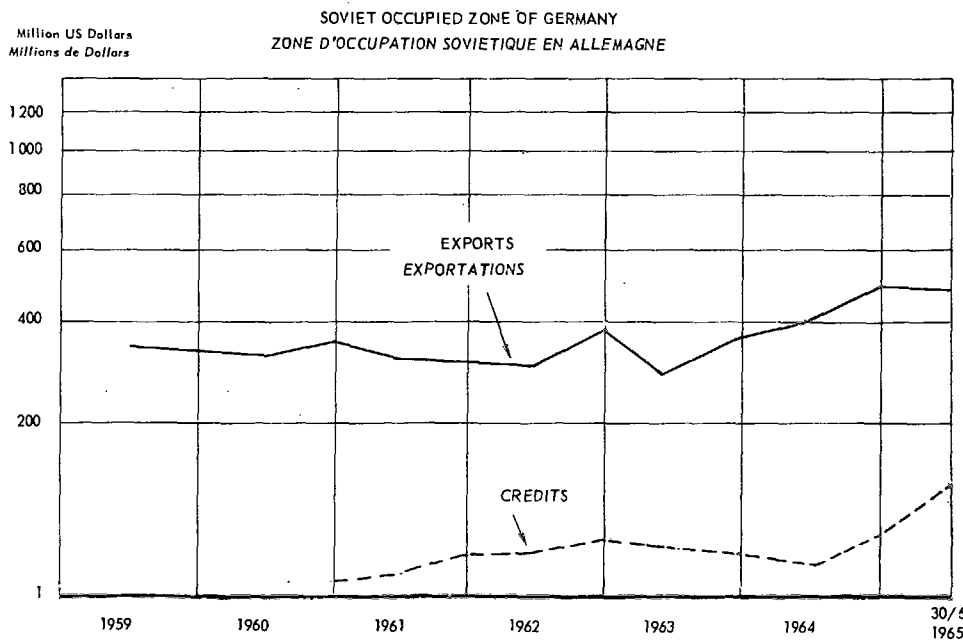
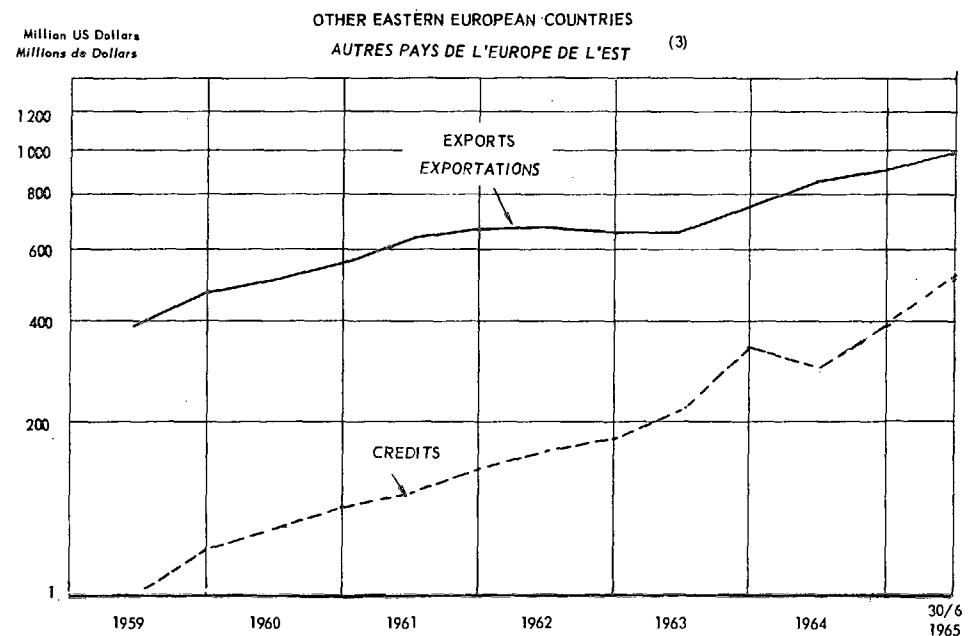
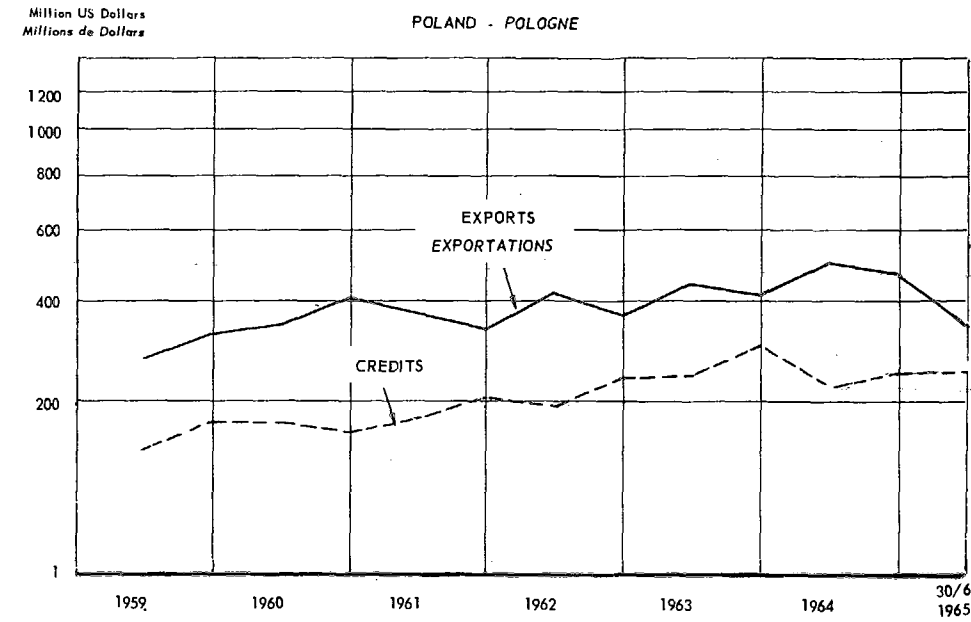
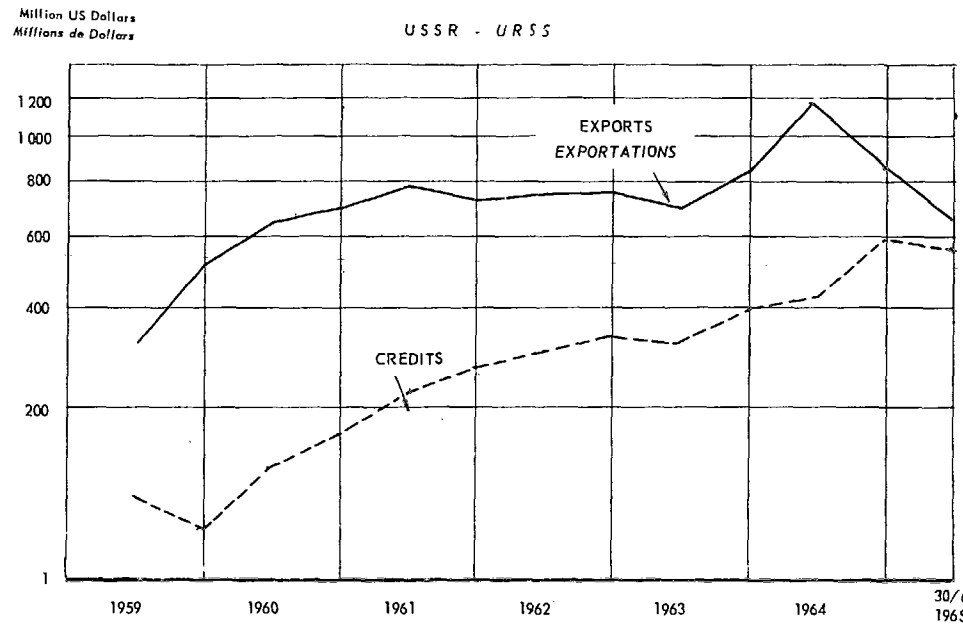
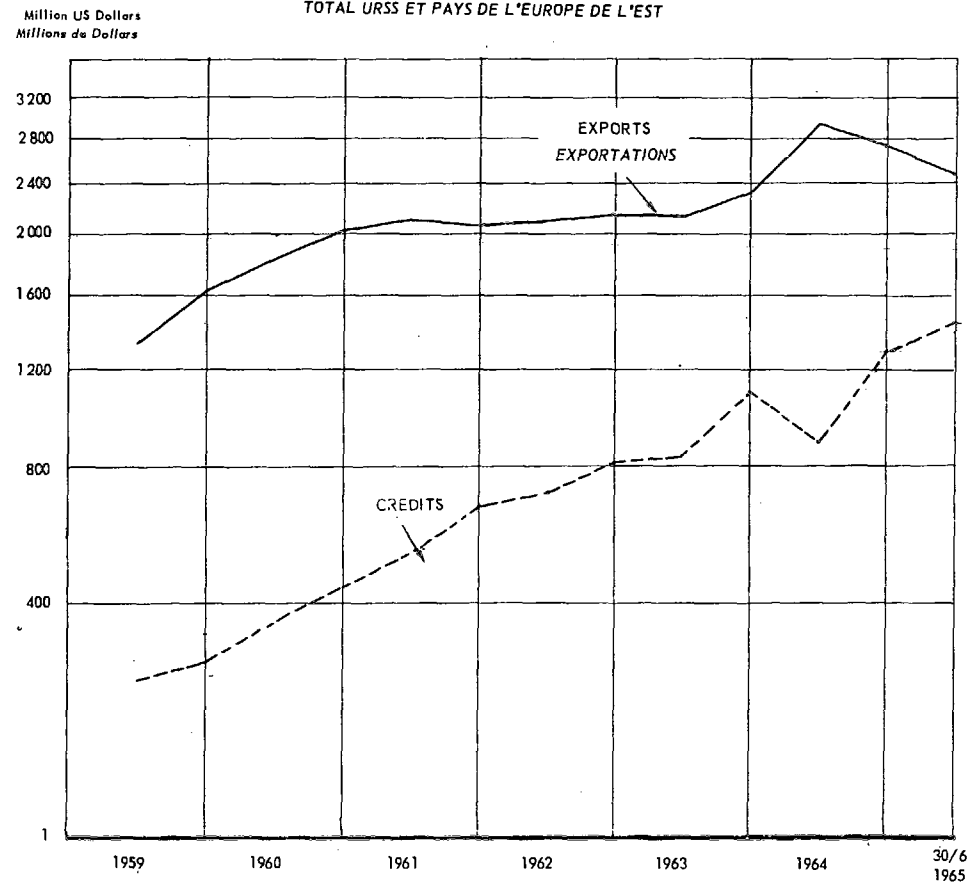
	1960		1961		1962		1963		1964		1965
	First half	Second half	First half	Second half	First half	Second half	First half	Second half	First half	Second half	First half
	(i) <u>NATO COUNTRIES' EXPORTS TO THE USSR</u>										
NATO-EUROPE	304.1	320.4	341.7	349.4	364.0	369.3	352.0	278.5	257.2	327.3	286.2
NATO-NORTH AMERICA	18.6	28.2	48.6	20.8	12.4	10.8	10.8	151.3	334.1	105.1	39.3
TOTAL	322.7	348.6	390.3	370.2	376.4	380.1	362.8	429.8	591.3	432.4	325.5
	(ii) <u>NATO COUNTRIES' EXPORTS TO EASTERN EUROPE(1)</u>										
NATO-EUROPE	511.8	553.7	587.4	599.7	590.8	645.8	609.3	672.7	697.8	771.9	841.0
NATO-NORTH AMERICA	76.8	105.5	89.7	68.3	88.1	59.1	92.6	91.2	174.9	167.3	71.6
TOTAL	588.6	659.2	677.1	668.0	678.9	704.9	701.9	763.9	872.7	939.2	912.6
	(iii) <u>NATO COUNTRIES' EXPORTS TO COMMUNIST CHINA</u>										
NATO-EUROPE	203.5	130.8	95.2	61.0	83.4	50.5	90.6	66.5	69.6	94.3	116.4
NATO-NORTH AMERICA	6.4	2.7	55.2	65.9	93.8	44.4	70.1	27.1	54.7	71.7	48.4
TOTAL	209.9	133.5	150.4	126.9	177.2	94.9	160.7	93.6	124.3	166.0	164.8

(1) Eastern Europe: Poland, Rumania, Czechoslovakia, Hungary, Bulgaria, Albania and the Soviet-occupied Zone of Germany.

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DEVELOPMENT OF NATO COUNTRIES' CREDITS(1) AND EXPORTS(2)  
TO THE USSR, THE EASTERN EUROPEAN COUNTRIES AND COMMUNIST CHINA  
EVOLUTION DES CREDITS(1) ET DES EXPORTATIONS(2) DES PAYS OTAN  
VERS L'URSS, LES PAYS DE L'EUROPE DE L'EST ET LA CHINE COMMUNISTE

TOTAL USSR AND EASTERN EUROPEAN COUNTRIES  
TOTAL URSS ET PAYS DE L'EUROPE DE L'EST



(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 des moyennes annuelles.

(3) Albania, Bulgaria, Czechoslovakia, Hungary and Roumania.  
Albanie, Bulgarie, Tchécoslovaquie, Hongrie et Roumanie.