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THE SIGNIFICANCE OF THE INCREASE OF EXPORT CREDITS
GRANTED TO COMMUNIST COUNTRIES

Report by the Committee of Economic Advisers

The Council, after examining in June 1967 the Committee's 15th Report on credits granted by NATO countries to Communist countries(1), invited it to carry out a factual analysis of the significance of the continuing increase in the granting of these export credits(2). The Committee has attempted in the following paragraphs to meet the Council's request by setting forth some general considerations on the increase in credits, and by examining its causes and its economic effects. This analysis bears only on the USSR and the Eastern European countries(3) as Communist China is a special case(4).

I. SUMMARY

2. The extension of export credits, in particular longer-term credits(5), has been a world-wide phenomenon over the past few years. The main beneficiaries of longer term credits are the developing countries of the Free World. However, over recent years, the growth of these credits has been much faster for Communist countries than for developing countries. Attempts made in NATO to evolve Western policies limiting credits to the former countries have not succeeded.

(1) C-M(67)34.

(2) C-R(67)30, Item IV.

(3) For the purpose of this paper the expression "Eastern European countries" covers the following communist countries: Albania, Bulgaria, Czechoslovakia, Hungary, Poland, and Rumania, as well as the Soviet occupied Zone of Germany.

(4) See Annex I.

(5) Longer-term credits: in this paper this expression refers to credits of over five years' duration.

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3. A number of factors may explain the increase in export credits to Communist countries. A growing proportion of trade with these countries has been in industrial goods, in particular in complete factories, the sale of which normally gives rise to longer-term credits. Efforts made by Western countries to develop East/West trade have also favoured the increase of export credits to Communist countries. These have increasingly recognised the benefits which they could gain from East/West trade and from Western credits.

4. Had credits not been granted, NATO exports to Communist countries would most probably have been smaller. Despite the expansion of credits, NATO countries exports to Communist countries represent a relatively modest percentage of their exports to the world - not more than 5% for NATO Europe and 4% for NATO as a whole. This percentage however, varies from one country to another and trade with the Communist countries may be significant for certain Western products or industries.

5. To the extent that there is a transfer of resources from the lending to the recipient countries it may be considered that the extension of credits to Communist countries places some temporary burden on the economies of the West. However, the amounts involved are relatively small in terms of percentages of the gross national products of the NATO countries which extend such credits (0.29% in 1966).

6. Member countries differ in their assessment of the possible adverse effect of export credits to Communist countries on the amount of credits available to less-developed countries. Some feel that credits granted to one country do not detract from those available to third countries, while other member countries believe that, in the absence of credits to Communist countries, the NATO countries might be in a position to increase the financial means put at the disposal of developing countries.

7. Credits granted by NATO countries to Communist countries - expressed as a percentage of the latter's gross national products or investments - appear very small. However, their economic significance is greater than it would seem from such percentages in so far as they ease the working of the Communist economies through breaking bottlenecks and putting at their disposal advanced techniques and know-how which would be very expensive to develop independently. Hence Communist countries have been generally keen to obtain longer term credits from the West. In the case of the Eastern European countries these credits may also serve to decrease their dependence on sophisticated equipment and technology from the Soviet Union.

8. Communist countries have been careful not to default on the reimbursements of credits received. Indeed some of them: Poland, Czechoslovakia, the Soviet-occupied Zone of Germany and Hungary, have up till now followed a very cautious borrowing policy. Bulgaria and Rumania, on the other hand, seem to be relying, to an increasing degree, on credits to finance their imports from the West; the commercial debts of these two countries appear high in comparison with their foreign currency earnings and their GNP;

9. By resorting to credits, Communist countries have to some extent mortgaged their future hard currency earnings. In the process a certain interdependence has been created between themselves and the West, as their future solvency depends to a considerable degree on their ability to develop their exports to the Western industrialised countries. The need to achieve this aim may provide an impetus to the Communist countries to improve the efficiency of their production system through economic reforms, even if these are considered as potentially dangerous by some of their leaders. For its part the West may find that in the long run, in order to be reimbursed, it will have no alternative but to open increasingly its markets to products from Communist countries.

II. GENERAL CONSIDERATIONS ON THE INCREASE IN CREDITS

10. The statistical information at the disposal of NATO is of a rather uneven value. It is more precise for longer-term credits - which are shown separately in member countries' reports and notified to NATO in each case - than for credits of a shorter duration. The fact that, for the latter, the actual length of the credits is not known makes it difficult to evaluate the amount of repayments to be made by the recipient countries in a given period. Also the data available to NATO refer to outstanding credits and not to actually drawn credits. There is a substantial difference between the amounts corresponding to these two concepts, and this increases the difficulty of relating credits to exports and of assessing their impact on the balance of payments of Communist countries in a given period. A further difficulty in this respect stems from the fact that longer-term credits cover not only physical goods, included in trade statistics, but also the cost of various services linked to exports of sophisticated equipment and complete plant. It must be noted too that the present paper deals only with credits extended by NATO members. Communist countries also obtain credits from other industrialised countries of the Free World, but no precise statistics are available on such credits. As regards longer-term credits, an OECD survey(1) shows, however, that, in the three year period 1964 to 1966, somewhat more than 75% of the total amount of such credits granted to Communist countries came from NATO countries.

(1) TC/ECG/W(67)4 and 5

11. With these qualifications, the main features in the development of export credits to Communist countries over the past years seems to be as follows:

- (i) There has been a marked increase in the volume of outstanding credits; these have grown tenfold between 1959(1) and 1967, from \$326 million to \$3,134 million.
- (ii) Credits of over five years, which had not been granted up to 1964, have since then become extremely important; by the middle of 1967 they represented 41.4% of the total outstanding. The share of longer-term credits in the increase in member countries' total outstanding credits to Communist countries is even more impressive; 38% in 1965, 66% in 1966 and 86.5% in the first half of 1967. Such credits have been granted only by some European members of NATO.
- (iii) The main beneficiaries of longer-term credits have been the less-developed countries of the Free World. The study made by the OECD(2) shows that total credits granted by the NATO European countries during the three years 1964, 1965 and 1966 were distributed as follows: less-developed countries of the Free World 74.8%, Communist countries 18.6% and industrialised countries of the Free World 6.6%. In the case of the United States, which accounted for about 43% of the longer-term credits granted by NATO countries, 70% went to the developing and 30% to the industrialised countries of the Free World. However, the growth of longer-term credits from European NATO countries has been much faster for Communist countries than for the developing ones; the share of the former in the new credits rose from less than 12% in 1964 to some 25% in 1966.

12. In the early 1960's attempts were made in NATO to develop common policies among Western countries with a view to limiting to five years credits extended to Communist countries. However, those attempts did not meet with any success as some member countries felt unable to discriminate in the granting of credits between Communist and other countries.

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- (1) Starting point of the reporting procedure.
 - (2) TC/ECG/W(67)4 and 5

III. MAIN CAUSES OF THE INCREASE

13. A number of factors may explain the increase in export credits to Communist countries, although it is difficult to assess their relative importance:

- (i) There has been, in recent years, an increasing tendency for the industrialised nations to grant credits in support of their trade in all parts of the world. As far as Communist countries are concerned, the increase has been all the greater owing to the fact that it started from a low level.
- (ii) A growing proportion of trade with Communist countries has been in capital goods and, particularly, in heavy plant and complete factories, the sale of which normally gives rise to longer-term credits.
- (iii) Efforts made by Western countries to develop East/West trade for commercial and economic reasons, as well as to promote a policy of détente, have also favoured the increase of export credits to Communist countries. Within NATO it has been agreed in document C-M(66)84(Final) that an intensification of trading exchanges between individual member countries on the one hand, and the Soviet Union and Eastern European States on the other, would serve a useful purpose, both from the political and the economic point of view, and should be promoted as far as possible. This document did not refer to credits.
- (iv) On the part of the Communist countries, there has been a growing recognition of the benefits which could be gained from East/West trade and from Western credits. The scarcity of hard currency experienced by Communist countries as a result of their difficulties in increasing exports and, in certain years, of exceptionally heavy grain imports, has increased their need for such credits, especially longer-term ones.

IV. MAIN EFFECTS OF THE INCREASE

14. The effects of the increase of export credits to Communist countries may be examined from the point of view of both the lending and the recipient countries. As far as the latter are concerned, a distinction has been made between the USSR and the Eastern European countries.

(a) From the point of view of the lending countries

15. The main motive of the lending countries in granting credits is of course to promote their exports. As it has been repeatedly pointed out in the periodical reports to the Council, it is difficult to establish a valid relationship between credits and exports to Communist countries over a given period. However, it is likely that NATO countries' exports to Communist countries would have been smaller if no credit had been granted, considering that the gold reserves of the latter countries were probably low and that they would have had great difficulty in expanding their own exports more than they did. It is also doubtful whether they could have significantly reduced their imports from less-developed countries in order to increase those from industrialised countries.

16. In any case, it is important to keep in mind the proportion of trade of NATO countries with Communist countries. The percentage of NATO countries exports to these countries varies from one case to another, but on the average, it does not exceed 5% for NATO Europe and 4% for NATO as a whole. Although East/West trade may be important for specific countries or for specific firms, for the economies for the NATO members taken as a whole its significance has remained relatively small(1).

17. The effect on the economy of Western countries of the granting of increased export credits to Communist countries is by nature the same as if these credits had been extended to any other country. To the extent that there is a transfer of resources from the lending to the recipient countries, it may be considered that some burden is temporarily placed on the economies of the West. However, the amounts involved are relatively small; in 1966 for instance the new credits granted by NATO countries represented no more than 0.29% of the gross national products of the countries which extend export credits. In theory, this amount could be used for other purposes, for instance for additional domestic investment. However, this is not in practice always possible in the short run and, in some cases, a decrease of exports to Communist countries might result, temporarily, in unused industrial capacity in the West.

(1) See trade statistics in AC/127-D/233, especially pages 15 and 16.

18. The question arises whether the granting of credits to Communist countries has any influence upon the volume of financial means put at the disposal of developing countries. In 1966 the new credits extended to the Communist countries corresponded to about 29% of the flow of financial resources(1) to the less-developed regions of the world, originating in NATO countries which grant export credits to Communist countries. It might therefore be argued that, in the absence of credits to Communist countries, some Western countries might be able to increase the financial means they put at the disposal of the developing countries. This would apply particularly when credit extensions to the Communist countries - which are included together with credits to other parts of the world in the balance of payments capital flow figures - influence government decisions about the volume of credit that may be extended to developing countries on especially favourable terms. The argument would be less valid, however, in cases where the criteria governing the granting of credits to Communist countries and the granting of aid to less-developed countries are based on different principles and the level of credits is determined by commercial considerations without pre-established overall limits. In any case, the capacity to repay may not be the same for the two categories of countries. In addition, the terms may be different; an important part of the financial flow to developing countries from the West takes the form of grants or long-term loans, some of which are at reduced interest rates, while export credits to Communist countries are usually of shorter duration and bear commercial interest rates. In view of the many factors involved member countries differ in their assessment of the possible adverse effect of credits to Communist countries on the amount of credits available to less developed countries. Some feel that credits granted to one country do not detract from those available to third countries, while other members believe that, in the absence of credits to Communist countries, the NATO countries might be in a position to increase the financial means put at the disposal of developing countries.

(b) Effects on the Communist Countries

19. The effects of export credits on Communist countries may be looked at from the point of view both of their balance of payments and of their economy as a whole.

(1) Official assistance, private investment and lending, and commercial export credits.

The USSR

20. The latest data available to NATO on the overall balance of payments of the USSR refer to 1965(1). During that year comparatively small amounts of new credits were granted by NATO countries and the amount of outstanding credits diminished. New credits amounted to \$87.4 million, of which \$13.3 million were credits exceeding five years which certainly did not influence the balance of payments that year. In the absence of the remaining shorter-term credits from NATO countries - \$74.1 million - and assuming that this shortfall was not made good by credits from other countries, the USSR might have adopted one of the following courses of action:

- cut imports payable in convertible currency by some 5%;
- increase exports paid for in convertible currency by some 6%;
- increase gold sales by some 20%.

The Soviet Union would probably have attempted to combine these various possibilities.

21. In an evaluation of the balance of payments effects on the USSR of the present situation, where a continuing flow of new export credits are made available by the West, it may be convenient to make a distinction between shorter credits and those exceeding five years, as the recent development of the total amount of outstanding credits not exceeding five years to the Soviet Union has been fairly constant since the end of 1964(2). When this is the case the outflow of reimbursements on earlier credits will fairly rapidly tend to be equal to the inflow of new credits(3) whereas the balance of payments continue to be burdened by interest payments, as shown in Table II. In this situation the taking up of new credits can, from an economic point of view, be regarded as an operation allowing the renewal of earlier credits.

22. The situation as regards export credits exceeding five years is quite different. Since 1964 NATO countries have extended a total of 740.4 million dollars of such credits to the USSR. The initial phase of such a credit expansion is particularly favourable for the balance of payments of the recipient country as the deliveries of goods

(1) AC/127-WP/193

(2) See Table I at Annex II

(3) After a period corresponding to the average length of the credits.

are not yet counterbalanced by payments of interest and reimbursements. As notifications to NATO of such credits do not comprise information on delivery dates, it is not possible to determine exactly when these export credits will have their greatest impact. Nevertheless an attempt has been made in Table IV at Annex to show the balance of payments effects of the credits granted up to mid-1967 on the assumption that, on average, the deliveries have been terminated some three years after the signing of contracts and that no repayments are made before this stage is reached. On this basis the impact of the longer-term credits granted since 1964 would first be felt in 1967 and would be particularly marked in 1969. The balance of payments effect might be compared to total earnings of the Soviet Union from their exports to countries paying in convertible currencies. These earnings have, for the year 1965, been estimated at \$1,240 million(1). If the convertible currency earnings were to rise by 8% a year, as did NATO imports from the USSR between 1960 and 1966, the Soviet Union's export earnings of convertible currency in the 3½ year period from 1967 to mid-1970 would total \$5,600 million. The net positive effect of the credits exceeding five years granted by NATO countries up till mid-1967 would correspond to 8.6% of these earnings.

23. The effects of the credits on the Soviet economy look, at first sight, rather modest. This is not surprising in view of the small rôle foreign trade plays in the USSR. In the year 1966, during which the largest amount of new credits was granted, these credits amounted to 0.24% of the Soviet GNP. If the total amount of credits exceeding five years, most of which will result in deliveries in the years 1967 to mid-1970, is compared to planned Soviet investments in these 3½ years, such credits amount to 0.25% of such investments (see Table V). However, the significance to the Soviet economy of the imports from the West covered by credits is undoubtedly greater than such figures would suggest, as far as they may serve to break bottlenecks and put at the disposal of the USSR advanced techniques and know-how which would be very expensive to develop independently. This is confirmed by the keen Soviet interest in obtaining credits of the longest possible duration.

24. Another way of illustrating this significance is to compare the longer-term export credits to imports by the USSR of machinery and equipment. Such imports from the NATO countries which have extended longer-term credits to the Soviet Union, amounted to \$757.1 million in the 3½ year period from mid-1963 to the end of 1966. As already noted,

(1) See AC/127-WP/193

the longer-term export credits extended in the period up till mid-1967 - \$740.4 million - will presumably mostly cover exports in the 3½ year period from 1967 to mid-1970. However, a number of adjustments have to be made in order to establish a valid comparison between these two figures. As regards the figure of \$740.4 million account should be taken of the fact that most member countries include in their reported figures of outstanding credits the accumulated future interests thereon(1). Supposing - as a working hypothesis - that such interests are equal to 20% of the total, the credits, strictly speaking would amount to \$592 million. As to the imports of machinery and equipment, the figure of \$757.1 million covers only physical goods entering into trade statistics. However, to the value of the physical goods should be added that of the "Software", i.e. the value of "know-how" and various services, which is also covered by credits. Although no precise information is available, it may be roughly estimated that the "software" accounts for some 40% of total credits granted in connection with the sale of complete plants. It is assumed here that only the latter involve "software"; in any case, for the USSR, the "software" which might be linked to the sales of other machinery and equipment, covered by longer-term credits, would not be significant. Indeed we know from the individual notifications of credits exceeding five years that for the USSR about 82% of such credits cover the sale of complete plants. On the basis of these two percentages it may be calculated that about \$195 million of the longer-term credits extended up to mid-1967 (i.e. \$592 million, after deduction of interest) cover "software", and \$397 million cover machinery and equipment stricto sensu (i.e. the physical goods entering into the trade statistics). If, during the period 1967 to mid-1970, the USSR were to import from those countries which are currently granting such credits to it the same amount of machinery and equipment as during the preceding 3½ years - i.e. as indicated above, \$757.1 million - these credits would cover 52% of such imports. The Soviet Union may, of course, modify the ratio between credits and imports by changing the level of the latter. It is likely that instead of just maintaining the previous level of its imports of machinery and equipment and of its total imports, it will utilise the recorded considerable credit expansion to increase it. However, it would be hazardous to make any forecasts as regards either the magnitude of such an increase or the nature of goods involved. It may suffice to note that the expansion of credits provides the Soviet Union with a wider range of choices in trade policy.

(1) AC/127-R/216, Item II

Eastern Europe

25. The Eastern European countries and the Soviet-occupied Zone of Germany, taken as a whole, represent for NATO a larger export market than the Soviet Union but, also, a greater borrower of Western funds. Total credits to this area grew from \$303 million in January 1960 to \$1,678 million (of which \$558.1 million of credits exceeding five years' duration) at the end of June 1967; a more than five-fold increase.

26. Of the three industrialised countries of the area - the Soviet-occupied Zone of Germany, Czechoslovakia and Poland - the latter has received the largest amount of credits from NATO countries. However, the rate at which such credits have been growing has been generally slow. In 1966 new outstanding credits granted to Poland, represented 0.5% of her estimated GNP for that year. Despite a substantial rise in 1965 of the credits granted to the Soviet Zone and to Czechoslovakia, their volume remains relatively modest and their growth rate moderate. In 1966 new credits extended to these countries represented respectively 0.23% and 0.19% of their estimated GNP.

27. As regards the three less-developed countries of Eastern Europe, a clear distinction exists between Hungary, which has been pursuing a very cautious borrowing policy (credits to this country have been practically at the same level since June 1965), and Bulgaria and Rumania, which seem to be increasingly relying on credits to finance their imports from the West. Thus in 1966, as a percentage of GNP, new credits granted to Hungary represented 0.19%, those granted to Rumania 1.58% and those to Bulgaria 1.68%. Between the end of 1964(1) and the end of 1966, credits to Bulgaria more than doubled and credits to Rumania increased more than four-fold. Both countries' balances of trade with NATO countries have been almost constantly negative. Present indications suggest that there will be no reduction of this deficit in the near future, as both countries are trying to quicken the pace of their economic development. Thus the obtaining of credits could play an important rôle in Bulgaria's and Rumania's long-term economic growth. This may be particularly so in the case of Rumania which has been steering a more independent course vis-à-vis the COMECON and the Soviet Union than the other Eastern European countries. The risk, of course, of too liberal a credit policy towards these countries is that they might end up with the same sort of balance of payments trouble as Yugoslavia has had for a number of years.

(1) This is the time when member countries started giving detailed information on their credits to Eastern European countries.

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28. Broadly speaking, the effects of credits on both lending and borrowing countries are similar to those described in the case of the Soviet Union. Their significance is greater than their relation to GNP may suggest. They may serve to finance imports necessary to break bottlenecks in the economies of these countries, and put at their disposal advanced techniques and know-how that they would be unable to develop independently. At the same time, they may in some cases decrease the dependence of these countries on deliveries of sophisticated equipment from the USSR and on Soviet technology.

* * *

29. The mortgage which the Eastern European countries and the Soviet Union, by resorting to credits, take out on their future hard currency earnings, creates a certain interdependence between themselves and the West. If the Eastern European countries do not want to default on their payments - and they have until now been very conscious of their interest in not damaging their standing in this way - they will have to continue to develop their exports to Western industrialised countries. The need to be or to become competitive on Western markets might be an incentive for the Communist countries to improve the efficiency of their production system, even if this should entail unorthodox reforms considered by the leadership, or part of it, as politically dangerous. It would seem that this consideration has had its effect on the reforms undertaken by certain Eastern European countries during the last few years. On the other hand, Communist countries being forced to export in order to be able to repay the credits received, might use this to put pressure on Western countries to buy goods which they do not need or which they could just as easily obtain elsewhere. In any case, Western countries will have to open their markets increasingly to products from Communist countries to enable the latter to be in a position to reimburse the credits extended to them.

(Signed) A. VINCENT
Chairman

OTAN/NATO,
Brussels, 39.

THE SIGNIFICANCE OF CREDITS FOR THE CHINESE ECONOMY

As regards credits from members of the Alliance to Communist China, their rapid growth in 1965 and 1966 is mainly due to imports of grain by this country. Credits linked to such purchases have, in general, a length of 18 months. Communist China does not receive credits of over 5 years duration from NATO countries. Although export credits from NATO countries are relatively short-term ones, they have certainly eased the problems which Communist China has had to face in financing her imports. Credits outstanding at the end of June 1967 amounted to \$244 million whereas, according to information made available to NATO, Chinese hard currency reserves at the beginning of 1967 amounted to about \$450 to \$550 million only. However, in view of their relatively short maturity, it is not likely that export credits have had a particular significance with regard to capital formation in the Chinese economy or the general working of the latter. Communist China also receives credits from other countries of the Free World, notably Japan with which her trade has been growing at a fast pace over the last few years. No data, however, are available on the relative importance of these credits.

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TABLE I

DEVELOPMENT OF OUTSTANDING CREDITS (RESPECTIVELY
UP TO AND OVER 5 YEARS) FROM NATO COUNTRIES
TO THE USSR SINCE 1964

(Million US Dollars)

Year	Total Outstanding	Over 5 years Outstanding	Up to 5 years Outstanding
(0)	(1)	(2)	(3)
End 1964	589.7	149.4	440.3
Mid 1965	554.0	150.4	403.6
End 1965	577.7	162.7	415.0
Mid 1966	927.6	537.5	390.1
End 1966	1,078.1	654.4	423.7
Mid 1967	1,180.2	740.4	439.8

TABLE II

BALANCE OF PAYMENTS EFFECTS FOR THE USSR OF CREDITS
NOT EXCEEDING FIVE YEARS GRANTED BY NATO COUNTRIES

(Million US dollars)

Year	New credits not exceeding five years	Reimbursements on earlier credits, including the interests	Net balance of payments effect
(0)	(1)	(2)	(3) = (1-2)
1965	74.1	99.4	- 25.3
1966	112.4	103.7	+ 8.7
1st half 1967	74.2	58.1	+ 16.1
Total	260.7	261.2	- 0.5

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TABLE III

NEW EXPORT CREDITS NOT EXCEEDING 5 YEARS GRANTED BY
NATO COUNTRIES TO THE USSR AS A PERCENTAGE OF THE
RECIPIENT'S INVESTMENTS

(Million US Dollars)

Year	New outstanding credits not exceeding five years	Interests (1)	Net credits (interests reduced)	total investments in the USSR (a)	(3) as a percentage of (2)
(0)	(1)	(2)	(3) = (1 - 2)	(4)	(5)
1965	74.10	6.72	67.38	54,057.00	0.12%
1966	112.40	10.22	102.18	54,720.00	0.19%
1st half of 1967	74.20	6.76	67.44	30,969.00 (b)	0.22%
Total	260.70	23.70	237.00	139,746.00	0.17%

(1) Calculated on the basis of the available half yearly figures and on the assumption that, on average, the rate of interest is 5% per annum and the length of credits 3 years.

(a) Conversion rate used: 1 rouble to 1.11 \$ US. Source: Official Soviet Statistics

(b) Estimated

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TABLE IVBALANCE OF PAYMENTS EFFECTS FOR THE USSR OF CREDITS
EXCEEDING 5 YEARS GRANTED BY NATO COUNTRIES

(Million US Dollars)

Year	New outstanding credits granted three years earlier	Reimbursements, including interests(a)	Net effect
(0)	(1)	(2)	(3)
1967	149.40	24.40	+ 125.00
1968	13.30	25.59	- 12.29
1969	491.70	104.95	+ 386.75
1st half 1970	86.00	57.20	+ 28.80
January 1967 to June 1970	740.40	212.14	+ 528.26

(a) on the basis of the calculation in Table VI

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TABLE V

EXPORT CREDITS EXCEEDING 5 YEARS GRANTED BY NATO COUNTRIES
TO THE USSR COMPARED TO THE RECIPIENT'S PLANNED INVESTMENTS
FOR THE PERIOD 1967 - mid-1970(1)

(Million US Dollars)

Year	New outstanding credits granted from 1964 to mid-1967	Interests(a)	Net credits (interests deducted)	Planned Investments(b)	(3) as a percentage of (4)
(0)	(1)	(2)	(3) = (1 - 2)	(4)	(5)
1967	149.40	28.93	120.47	61,938.00	
1968	13.30	3.04	10.26	67,203.00	
1969	491.70	95.15	396.55	72,915.00	
1970/1	86.00	16.70	69.30	39,556.00	
Total	740.40	143.82	596.58	241,612.00	0.25%

(1) The comparison has been made with investments for the period January 1967 to mid-1970 on the assumption that it takes, on average, 3 years before the goods covered by longer-term credits are shipped to the borrower.

(a) Calculated on the assumption that, on average, the rate of interest is 6% and the length of credits is 7 years.

(b) Conversion rate used: 1 rouble = \$1.11. Average planned yearly investments calculated on the basis of official Soviet targets.

Sources: USSR abstract of statistics for 1965

AC/89-WP/208(Revised)

AC/89-WP/221

Pravda of 3.2.1966

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TABLE VI

REIMBURSEMENTS ON A YEARLY BASIS OF CREDITS GRANTED TO THE USSR AS OF 30TH JUNE, 1967(1)

(Million US Dollars)

	1965 (a)	1966 (a)	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Up to 5 years			112.91 (b)	80.34	46.33							
Over 5 years			24.40	25.59	104.95	114.40	109.31	104.22	99.11	76.72	71.12	10.58
Total	99.4	103.7	137.31	105.93	151.28	114.40	109.31	104.22	99.11	76.72	71.12	10.58

(1) It has not be considered possible to form any hypothesis on the amount of credits which might be granted in the future; the table therefore shows only the reimbursement which will become due on the credits outstanding as of 30th June, 1967. From that year onwards reimbursements have been calculated on the basis of the following hypotheses:

- outstanding credits: include the principal plus the interests which relate to it.
- credits of up to 5 years: reimbursements start six months after the credit has been granted and take place over three years. Interest rate 5%.
- credits of over 5 years: reimbursements start three years after the credit has been granted and are spread over seven years. Interest rate 6%.

(a) Reimbursements calculated on basis of data in documents C-M(66)37, C-M(66)141 and C-M(67)34.

(b) Estimated reimbursements taking into account data given in AC/127-D/238 for the first six months of 1967.

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