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COMMITTEE OF ECONOMIC ADVISERS

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

Note by the President

The Committee will find attached a first draft of the Seventh Report on credits granted by NATO countries to the Soviet Bloc and Communist China covering the period up to 31st December, 1962. At the present stage this first draft is confined simply to an analysis of the facts.

2. The Committee will recall that during discussions on the Sixth Report (C-M(62)150) it was envisaged that the Seventh Report should draw the Council's attention to the possible implications for the Alliance as a whole of the granting of credits to the Soviet Bloc and Communist China. Such an assessment was to be based on an analysis of member countries' replies to the questionnaire on rules and policies applied by them as regards the guaranteeing of export credits to the Sino-Soviet Bloc and on an interpretation of such trends as might be ascertained in the development of these credits since 1959. The replies received by the International Secretariat have been summarised in Working Paper AC/127-WP/104 and notably show that no guarantees have so far been given on credits to the Bloc for periods over five years and that coverage of more than 90% of the risks involved was altogether exceptional on such credits.

3. In order to complete, in accordance with the Committee's previous decisions, the present first draft of the report, delegations are invited to propose conclusions or recommendations that might possibly be drawn from opinions already expressed in the Committee (see United States notes AC/127-WP/106(Revised) and AC/127-WP/107 and German note AC/127-WP/107/1) and from any new suggestions that might be made.

(Signed) F. D. GREGH

OTAN/NATO,
Paris, XVIe.

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

Seventh Report covering the period up to
31st December, 1962

First draft of a Report to the Council

The present report, which is the seventh 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, 1962.

2. Table I attached shows the outstanding credits to the Soviet Bloc respectively on 31st July, 1959, 31st January and 31st July, 1960, 31st January, 31st July and 31st December, 1961, 30th June and 31st December, 1962, as well as those granted to Communist China on 31st December, 1961, 30th June and 31st December, 1962. Table II indicates the changes in the amount of credits between these dates. A chart sets out the trend of credits and exports from NATO countries to the Soviet Bloc.

3. When considering the Tables and the chart, it should be recalled that:

- (a) NATO countries have generally been unable to provide information on private non-guaranteed credits to the Bloc. In the first reports incomplete figures were included on this category of credits but the information available on the position since 31st July, 1961, is so fragmentary that its inclusion in the table would serve no useful purpose.
- (b) The section on government-to-government credits does not include those granted under bilateral trade agreements, which normally extend over a period of less than 12 months, 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 was 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

(1) As agreed, the Soviet Bloc is understood to include the USSR, Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Rumania, the Soviet-occupied zone of Germany and the Soviet-occupied sector of Berlin.

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immediately inform the Committee so that the matter might be discussed there (1).

- (c) Member countries were found to have interpreted differently the rules defining the figures to be reported to the International Secretariat on private credits guaranteed by governments: some had reported the total value of such credits, including that part of the credit which remains at the exporter's risk, while other member countries reported only that part of each credit actually covered by government guarantees. On the 19th February, 1963, the Committee of Economic Advisers decided (2) that henceforth the total value of credits should be reported, including that part of each credit not guaranteed. Member countries' answers on the position as of 31st December, 1962 are given in accordance with this decision.

In addition, countries not previously reporting on this basis provided the information required to allow the necessary readjustments to be made on the figures they had previously supplied. This report, which corrects all earlier figures supersedes previous reports.

4. A number of observations may be made on the basis of the available information:

- (a) As a result of the readjustments now made, the overall level of credits granted to the Soviet Bloc since the 31st July, 1959 and to Communist China since the 31st December, 1960, is now shown to have been slightly higher than indicated by figures given in previous reports, whereas changes between different dates have remained substantially the same. In the last 6-month period examined, that is, the period ending on 31st December, 1962, credits granted to the Soviet Bloc (not including Communist China) have risen faster than during the first 6 months of the year; by 11% as against 5%. However, for 1962 as a whole the growth in the level of credits was only about 22% whereas it reached 52% during the last 11 months of the previous year.

(1) See C-M(59)75, paragraph 3

(2) AC/127-R/104, Item I (4)

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- (b) Government-to-government credits, of which only Poland has benefited, have again diminished slightly; they appear to be in the process of progressive reimbursement, no new credits having been granted since NATO started to follow the development of credits to the Soviet Bloc.
- (c) Private credits guaranteed by governments increased about 12% during the second half of 1962 compared to slightly less than 6% in the first 6-month period. They account for about 90% of all credits under review.
- (d) Credits granted to the USSR have increased less during the last six months than credits granted to the satellites, thus leading to a 1.5% fall in the USSR's share of credits granted to the Bloc (1) as a whole and interrupting the rapid growth of their share of these credits which had passed from 11% in January 1960 to 37% in July 1962.
- (e) Credits granted to Poland, after receding during the first 6 months of 1962, increased fairly substantially in the latter part of the year; whereas on the 30th June, 1962, they stood at almost the same level as credits granted to the USSR, they were a good deal higher on 31st December, 1962 (taking into account government-to-government credits). However, despite this growth they then accounted for only 38% of total credits to the Soviet Bloc, against 80% on the 31st July, 1959.
- (f) Credits to the Soviet-occupied zone of Germany rose significantly (32%) but their share of total credits granted to the Soviet Bloc (1) is only 7%.
- (g) The proportion of credits granted to other Soviet Bloc countries in relation to total credits granted to the bloc as a whole (1) grew considerably in this 3½ year period: from 7% on 31st July, 1959 to 19% on 31st December, 1962 (2).

(1) Including government-to-government credits.

(2) Reporting on outstanding credits to the Soviet-occupied zone of Germany in particular was first initiated on the position as of January, 1961; the 1959-figures for "other Soviet Bloc countries," therefore, include possible credits to the zone while this is not the case in the 1962-figures. The share of the satellites, other than Poland, in outstanding credits to the Soviet Bloc on the dates indicated above have risen from 7% to 26% if the Soviet zone of Germany is included at both dates.

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- (h) Credits to Communist China, which had grown very rapidly during the first 6 months of 1962, diminished fairly substantially in the period under review and on 31st December, 1962, stood at only 11% of the total credits granted to the Soviet Bloc as a whole (1) and to Communist China, as against 16% on 30th June, 1962.

5. The comparison of the level of credits with the value of exports which has been attempted in the present report, has been made on the basis of private credits guaranteed by governments only, because the now outstanding government-to-government credits seem to have no relation to recent exports (see paragraph 4(b)). It should be recalled that it is not possible from available information to determine when the goods to which the credits apply are shipped and it is consequently not possible to establish a meaningful comparison between the amount of credits and the value of exports on the basis of developments during the six monthly periods examined. However, the Committee of Economic Advisers having kept outstanding credits under review over the last three and a half years, it is possible to establish the fact that since 1960 the percentage growth of credits has steadily been greater than that of exports (2). This is shown in the attached graphs. Logarithmic scales have, for the first time, been used in establishing the graphs in order to give a clearer visual picture of this trend (3).

(1) Including government-to-government credits.

(2) A faster rise in export credits than in exports has also been observed in studies made on Western industrialised countries' trade with the world as a whole. See Economic Bulletin for Europe, vol. 14, No. 1, p. 37-38, and Bank of England Quarterly Bulletin, vol. III, No. 1, p. 32 ff.

(3) In earlier reports the tendency of credits to rise faster than exports was illustrated by showing total credits as a percentage of exports during the 12 months preceding the reporting dates. These figures are not given in the present report. Despite the reservations made, such percentages tended to convey the impression that they expressed the proportion of exports to the Bloc actually covered by credits. That was, however, not the case. Credits to the Bloc are as a matter of fact made available over varying lengths of time up to 5 years. Part of the credits outstanding at any given moment therefore apply to exports having been effected more than 12 months back while another part applies to future exports. (With one exception member countries report credits when they are granted (stage 5 in AC/127-WP/45) and consequently prior to shipment). If it is considered of interest to attempt to arrive at an approximately correct idea of the proportion of exports to the Bloc covered by credits, further information would have to be supplied by member countries. In addition to the information now transmitted on outstanding credits on the dates chosen (30th June and 31st December), information would have to be given on the amount of credits drawn over a period to cover goods actually shipped.

TABLE I

CREDITS OUTSTANDING (1) ON DATES INDICATED

(million US \$)

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	38.3	151.8	n. a.	17.7	207.8	n. a.	n. a.
TOTAL	38.8	239.6	n. a.	21.3	299.7	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	162.3	n. a.	41.0	241.3	n. a.	n. a.
TOTAL	38.5	249.1	n. a.	52.9	340.5	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.	-	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	145.8	151.8	14.1	73.7	385.4	n. a.	n. a.
TOTAL	164.1	236.7	14.1	73.7	488.6	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	-	83.9
3. Private credits guaranteed by governments	236.5	192.8	40.0	117.0	586.3	61.9(2)	648.2
TOTAL	236.5	276.7	40.0	117.0	670.2	61.9	732.1
<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	179.4	43.5	133.8	618.7	117.6	736.3
TOTAL	262.0	262.4	43.5	133.8	701.7	117.6	819.3
<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	219.1	57.3	152.5	712.4	88.7	801.1
TOTAL	283.5	300.6	57.3	152.5	793.9	88.7	882.6

(1) For a complete definition of this term see AC/127-R/41, Item I, and AC/127-TE/45
(2) On 31st December, 1960, there were no outstanding credits to Communist China

TABLE II

CHANGES BETWEEN DATES INDICATED

Date and type of credit	USSR		Poland		Soviet Zone of Germany		Other bloc (including Soviet Zone of Germany)		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	- 0.3	- 0.8	+10.5	+ 6.9	n.a.	n.a.	+23.3	+ 131.6	+33.5	+ 16.1	n.a.	n.a.	n.a.	n.a.
TOTAL	- 0.3	- 0.8	+ 9.5	+ 4.0	n.a.	n.a.	+31.6	+ 148.4	+40.8	+ 13.6	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	n.a.	n.a.	n.a.	n.a.
2. Government-to-government credits	-	-	- 0.9	- 1.2	n.a.	n.a.	-	-	- 0.9	- 1.0	n.a.	n.a.	n.a.	n.a.
3. Private credits guaranteed by governments	+62.9	+165.5	- 3.8	- 2.3	n.a.	n.a.	+26.4	+ 64.4	+85.5	+ 35.4	n.a.	n.a.	n.a.	n.a.
TOTAL	+80.7	+209.6	- 4.7	- 1.9	n.a.	n.a.	+14.5	+ 27.4	+90.5	+ 26.6	n.a.	n.a.	n.a.	n.a.
<u>31st July, 1960 - 31st January, 1961</u>														
1. Private non-guaranteed credits	-	-	-	-	n.a.	n.a.	-	-	-	-	n.a.	n.a.	n.a.	n.a.
2. Government-to-government credits	-	-	- 1.0	- 1.2	n.a.	n.a.	-	-	- 1.0	- 1.2	n.a.	n.a.	n.a.	n.a.
3. Private credits guaranteed by governments	+44.9	+44.5	- 6.8	- 4.2	n.a.	n.a.	+ 6.3	+ 9.3	+58.6	+ 17.9	n.a.	n.a.	n.a.	n.a.
TOTAL	+44.9	+37.7	- 7.7	- 3.2	n.a.	n.a.	+ 6.3	+ 9.3	+57.6	+ 32.4	n.a.	n.a.	n.a.	n.a.
<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.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2. Government-to-government credits	-	-	- 1.0	- 1.2	-	-	-	-	- 1.0	- 1.2	n.a.	n.a.	n.a.	n.a.
3. Private credits guaranteed by governments	+15.1	+30.9	+12.9	+ 8.5	+ 5.9	+41.8	+20.0	+27.1	+83.9	+21.8	n.a.	n.a.	n.a.	n.a.
TOTAL	+26.8	+16.3	+11.9	+ 5.0	+ 5.9	+41.8	+20.0	+27.1	+64.6	+13.2	n.a.	n.a.	n.a.	n.a.
<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.	n.a.	n.a.	n.a.	n.a.
2. Government-to-government credits	-	-	-	-	-	-	-	-	-	-	n.a.	n.a.	n.a.	n.a.
3. Private credits guaranteed by governments	+45.6	+23.9	+28.1	+17.0	+20.0	+100.0	+23.3	+24.9	+117.0	+21.9	n.a.	n.a.	n.a.	n.a.
TOTAL	+45.6	+23.9	+28.1	+11.3	+20.0	+100.0	+23.3	+24.9	+117.0	+21.1	n.a.	n.a.	n.a.	n.a.
<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	- 13.4	- 7.0	+ 3.5	+ 10.9	+16.8	+14.4	+ 32.4	+ 5.5	+55.7	+90.0	+88.1	+13.6
TOTAL	+25.5	+10.8	- 14.3	- 5.2	+ 3.5	+ 10.9	+16.8	+14.4	+ 31.5	+ 4.7	+55.7	+90.0	+87.2	+11.9
<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	+0.21	+ 8.2	+ 39.7	+12.2	+11.8	+31.7	+18.7	+11.4	+ 93.7	+11.5	-28.9	-24.6	+64.8	+10.9
TOTAL	+0.21	+ 8.2	+ 38.2	+11.5	+11.8	+31.7	+18.7	+11.4	+ 92.2	+11.3	-28.9	-24.6	+63.3	+10.8

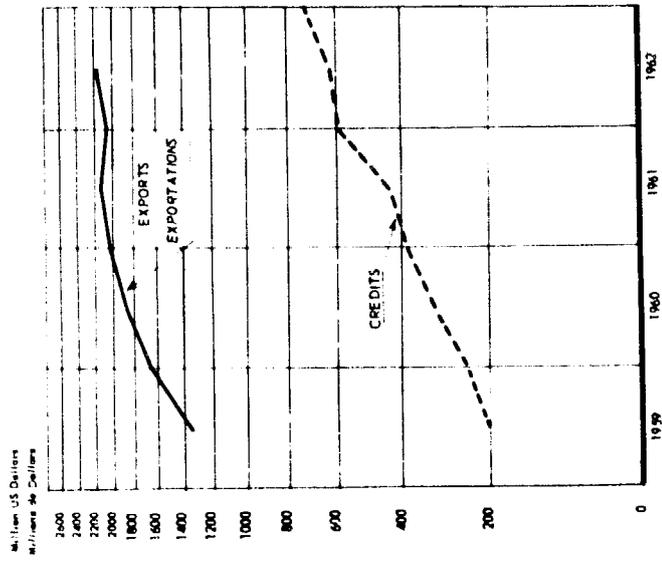
(1) In all cases amounts are in millions of dollars

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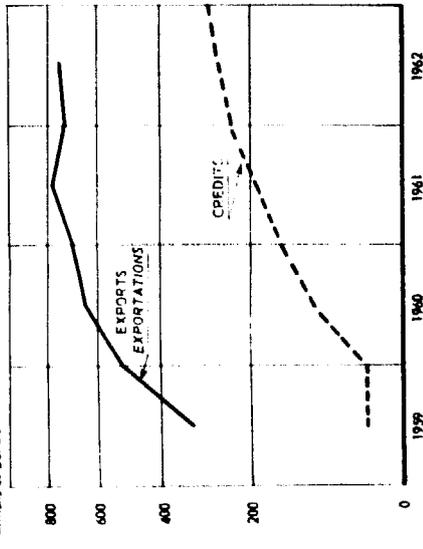
DEVELOPMENT OF NATO COUNTRIES CREDITS (1) AND EXPORTS
TO THE SOVIET BLOC AND COMMUNIST CHINA

EVOLUTION DES CREDITS (1) ET DES EXPORTATIONS DES PAYS OTAN
VERS LE BLOC SOVIETIQUE ET LA CHINE COMMUNISTE

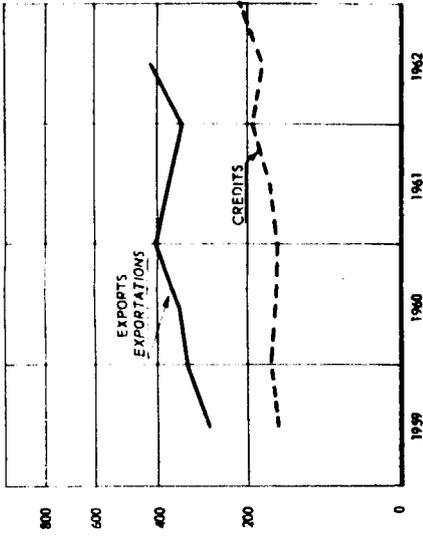
TOTAL SOVIET BLOC
(Not counting Communist China)
TOTAL BLOC SOVIETIQUE
(Non compris la Chine communiste)



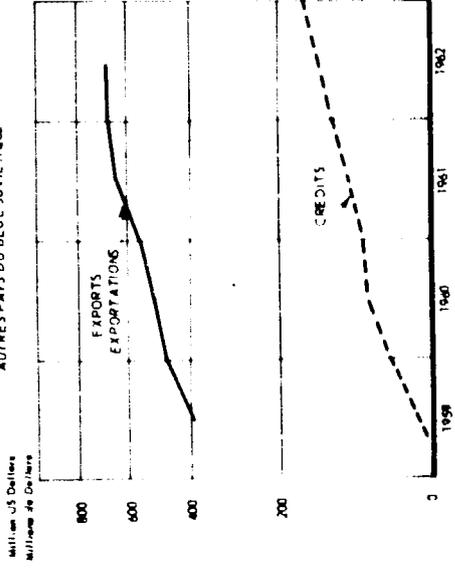
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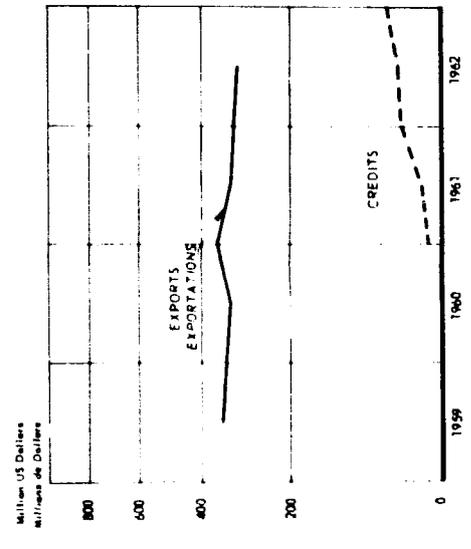
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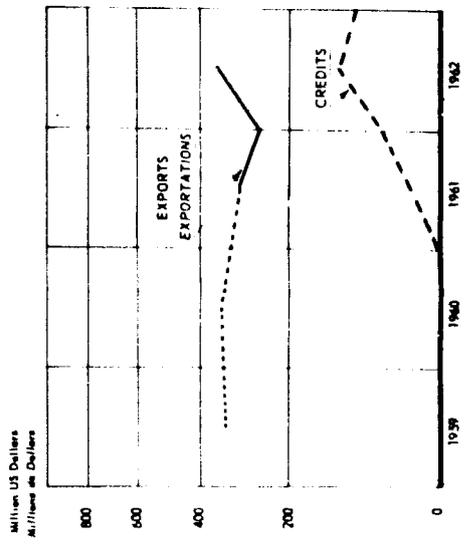
OTHER BLOC
AUTRES PAYS DU BLOC SOVIETIQUE



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 and half-yearly for 1961 and 1962
Les chiffres des exportations sont annuels pour 1959 et 1960 et semestriels pour 1961 et 1962