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C-M(68)49

CREDITS GRANTED BY NATO COUNTRIES TO COMMUNIST COUNTRIES(1)

17th Report(2) by the Committee of Economic Advisers
covering the period up to 31st December, 1967

I. GENERAL TRENDS

The amount of outstanding credits(3) granted by NATO countries to Communist countries at the end of 1967 has been affected by certain factors of an accidental nature, which make comparison difficult with the amounts previously reported. On the one hand, as the United Kingdom and Denmark devalued their currencies in November 1967, the conversion into US dollars of the credits granted by these countries has given a smaller amount than heretofore. On the other hand, a member country has adjusted the amount of its outstanding credits following a more precise application of the criteria adopted by the Committee.

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- (1) The USSR, the Eastern European countries (Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Rumania) and the Soviet Zone of Germany; Communist China, Mongolia, North Korea and North Vietnam.
 - (2) The previous report to the Council has been circulated under reference C-M(67)79.
 - (3) Credits of over 180 days (AC/127-D/244). Of the total outstanding on 31st December, 1967, 98% were private credits guaranteed by governments, the balance being government-to-government credits, from which only Poland has benefited, and which she is slowly reimbursing. No new credits of this kind have been granted since 1959, when NATO began to follow the development of credits granted to Communist countries. It should be noted that government-to-government credits recorded in the present series of reports do not include credits opened under bilateral trade agreements, which mostly extend over a period of less than 180 days, nor do they include sales of agricultural commodities under Public Law No. 480 of the United States.

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Had these two factors been left out of account, the amount of outstanding credits at the end of 1967 - calculated on the same basis as in June of that year - would have been 5.3% higher than the figure recorded at the end of the first half of 1967. When these factors are taken into consideration, as had to be done in the attached tables, the amount of credits outstanding at the end of 1967, i.e. \$3,077.6 million, shows a slight decrease of 1.8% (\$56.1 million) below its level at the end of June.

2. New credits came to a total of \$658.3 million(1) during the second half of 1967: a much higher figure than the six-monthly average of new credits - \$561 million - granted to the Communist countries over the period 1st January, 1965 to 30th June, 1967. New credits granted to the USSR during the last half of 1967 amounted to \$276.2 against an average of \$170 million for the previous five half-yearly periods. In the case of Eastern Europe, as a whole, new credits totalled \$354.6 million against an average of \$321 million.

3. Of total outstanding credits, those of over five years amounted to \$1,492.6 million, i.e. 48.5% as compared with 41.4% in June 1967, and only 23.1% at the end of 1965. These credits increased by a further \$194.8 million during the second half of 1967. This development contrasts with the fall in the total of credits outstanding; it is an additional indication of the present trend in Communist countries to seek in the West credits of over five years. This evolution has already been emphasised in a recent report to the Council on the significance to Communist countries of the continuing increase in the volume of credits granted to them(2).

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- (1) In accordance with the revised reporting procedure on credits of over 180 days to Communist countries (AC/127-D/244 of 21st February, 1968) member countries have been requested to provide a breakdown of reported new credits between those exceeding five years and the others. In view, however, of the fact that this procedure was only adopted recently, some countries have been unable to include this additional information in their six-monthly statistics, making it impossible to give a coherent figure of new outstanding credits of over five years granted during the second half of 1967.
- (2) See C-M(68)6 - paragraphs 2 and 11(ii).

II. GEOGRAPHICAL DISTRIBUTION

4. Eastern European countries remained the chief beneficiaries of credits extended. In December 1967 their share - 58.8% - had again risen after having remained for 18 months at about the same percentage of just over 53%. During the second half of 1967, the most rapid increase - absolutely and percentagewise - took place in credits to Poland, followed by those to Rumania and Hungary, whereas those to Czechoslovakia hardly changed at all and those to the Soviet Occupied Zone of Germany and to Bulgaria declined by 12.6% and 3.7% respectively. Among Eastern European countries, Rumania is the main beneficiary of credits, \$626.7 million, followed by Poland, \$488.2 million.

5. During the second half of 1967, the amount of outstanding credits extended to the Soviet Union decreased by 13.8%. This marked decline is partly the consequence of the two factors referred to in paragraph 1; but, even if these were disregarded, the trend towards a slowing down in credit growth recorded for the first half of 1967(1) continued during the second half of that year. Consequently, the Soviet Union's share of overall credits - while still high - has declined from 37.7% in June 1967 to 33.1% at the end of December 1967.

6. Credits to Communist China went on decreasing, their level was 9.2% lower than that reached at the end of the first half of 1967; as a result her share in total outstanding credits, which had already fallen from 9.4% in December 1966 to 7.8% in June 1967, further dropped to 7.2% in December 1967.

III. CREDITS AND EXPORTS

7. Some indications are given below about the trend of the exports of NATO countries to Communist countries. However, it should be borne in mind that it is not possible to establish an exact correlation between the evolution of such exports and that of credits, as available information does not permit the determination of the period at which the deliveries of goods, to which the credits apply, are carried out.

(1) See Table II, C-M(67)79.

8. In 1967, the rate of growth of exports from NATO countries to Communist countries over the 1966 levels was slightly faster during the first half of the year than during the second half, when, in the case of the European member countries of the Alliance there was some slowing down in the rate of expansion of sales, whilst in the case of the North American countries exports to the East declined markedly in comparison with the levels reached during the second half of 1966 and the first half of 1967. Thus in 1967:

- exports to Eastern European countries grew by 6.3%, but whereas the change was positive with regard to European deliveries (+8.8%), it was negative in the case of North American sales (-18.5%);
- exports to the USSR increased by 13.5% above their 1966 level, but while the European countries of the Alliance recorded a rise of 48.2%, the North American ones experienced a decline of 46.8% in their sales;
- exports to Communist China went up by only 3.6%. This low percentage reflects two important developments in opposite directions: exports from NATO-Europe rose by 25.5%, while those from North America dropped by 50.6%.

(Signed) A. VINCENT
Chairman

OTAN/NATO,
Brussels, 39.

TABLE I

CREDITS(1) OUTSTANDING(2) AS OF 31ST DECEMBER, 1967

	Outstanding credits of over 180 days (In million US \$)	Of which outstanding credits of over 5 years (In million US \$)	Percentage share of the recipient countries in <u>total</u> outstan- ding credits
USSR	<u>1,017.4</u>	<u>711.7</u>	<u>33.1</u>
EASTERN EUROPEAN COUNTRIES	<u>1,809.2</u>	<u>711.6</u>	<u>58.8</u>
<u>of which:</u>			
Poland	488.2(3)	251.6(3)	15.9
Soviet-Occupied Zone of Germany	144.2	22.8	4.7
Albania	-	-	-
Bulgaria	281.0	60.8	9.1
Czechoslovakia	152.0	71.6	4.9
Hungary	117.1	26.7	3.8
Rumania	626.7	311.1	20.4
COMMUNIST CHINA:	<u>221.5</u>	<u>-</u>	<u>7.2</u>
OTHER COMMUNIST COUNTRIES IN ASIA (Mongolia, North Korea, North Vietnam)	<u>29.5</u>	<u>6.3</u>	<u>0.9</u>
TOTAL:	3,077.6	1,492.6	100.0

- (1) Private guaranteed credits and government-to-government credits.
(2) For a complete definition of this term, see IC/127-D/244.
(3) Of which \$60.2 million government-to-government credits.

TABLEAU II

CREDITS(1) EN COURS AUX DATES INDIQUEES ET VARIATIONS EN POURCENTAGE PAR RAPPORT A LA PERIODE PRECEDENTE

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TABLE II

CREDITS(1) OUTSTANDING ON DATES INDICATED AND PERCENTAGE CHANGES FROM PREVIOUS PERIOD

DATES	URSS USSR		POLOGNE POLAND				ZONE D'OCCUPATION SOVIETIQUE D'ALLEMAGNE SOVIET-OCCUPIED ZONE OF GERMANY		BULGARIE BULGARIA		TCHECOSLOVAQUIE CZECHOSLOVAKIA		HONGRIE HUNGARY		ROUMANIA RUMANIA		TOTAL PAYS DE L'EUROPE DE L'EST(2) TOTAL EASTERN EUROPE(2)		CHINE COMMUNISTE COMMUNIST CHINA		MONGOLIE COREE DU NORD NORD VIETNAM MONGOLIA NORTH KOREA NORTH VIETNAM		TOTAL GENERAL(3) GRAND TOTAL(3)			
	Million US \$	% Change	Million US \$	% Change	Million US \$	% Change	Million US \$	% Change	Million US \$	% Change	Million US \$	% Change	Million US \$	% Change	Million US \$	% Change	Million US \$	% Change	Million US \$	% Change	Million US \$	% Change	Million US \$	% Change		
31.7.1959	90.4	n.a.	138.9	n.a.	87.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	235.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	326.3	n.a.
31.1.1960	52.1	- 42.4	168.5	+ 21.3	86.8	- 1.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	303.0	+ 28.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	355.1	+ 8.8
31.7.1960	123.0	+ 136.1	168.0	- 0.3	85.9	- 1.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	329.9	+ 8.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	452.9	+ 27.5
31.1.1961	167.9	+ 36.5	161.1	- 4.1	84.9	- 1.2	141.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	353.2	+ 7.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	521.1	+ 15.1
31.7.1961	229.0	+ 36.4	174.8	+ 8.5	83.9	- 1.2	20.5	- 45.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	394.9	+ 11.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	623.9	+ 19.7
31.12.1961	277.5	+ 21.2	205.0	+ 17.3	83.9	-	41.6	+ 102.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	474.3	+ 20.1	62.0	n.a.	n.a.	n.a.	n.a.	n.a.	813.8	n.a.
30.6.1962	316.8	+ 14.2	196.4	- 4.2	83.0	- 1.1	45.8	+ 10.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	488.2	+ 2.9	129.6	+ 109.0	n.a.	n.a.	n.a.	n.a.	934.6	+ 14.8
31.12.1962	340.5	+ 7.5	237.2	+ 20.8	81.5	- 1.8	60.0	+ 31.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	558.7	+ 14.4	93.5	- 28.9	n.a.	n.a.	n.a.	n.a.	992.7	+ 6.2
30.6.1963	327.8	- 3.7	240.4	+ 1.3	79.5	- 2.5	50.3	- 16.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	585.2	+ 4.7	112.4	+ 20.2	n.a.	n.a.	n.a.	n.a.	1,025.4	+ 3.3
31.12.1963	374.8	+ 14.3	226.0	- 6.0	77.6	- 2.4	44.9	- 10.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	649.6	+ 11.0	51.2	- 54.5	n.a.	n.a.	n.a.	n.a.	1,075.6	+ 4.9
30.6.1964	324.9	- 13.3	223.3	- 1.2	75.7	- 2.4	37.7	- 16.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	639.1	- 1.6	32.9	- 35.8	n.a.	n.a.	n.a.	n.a.	996.9	- 7.3
31.12.1964	589.7	+ 81.5	250.0	+ 12.0	72.5	- 4.2	64.9	+ 72.1	93.5	n.a.	110.2	n.a.	84.5	n.a.	108.6	n.a.	784.2	+ 22.7	74.4	+ 126.1	16.9	n.a.	n.a.	n.a.	1,465.2	+ 47.0
30.6.1965	554.0	- 6.1	255.0	+ 2.0	70.4	- 2.9	121.6	+ 87.4	170.8	+ 82.7	116.1	+ 5.4	100.0	+ 18.3	128.0	+ 17.9	961.9	+ 22.7	111.8	+ 50.2	16.0	- 5.3	n.a.	n.a.	1,643.7	+ 12.2
31.12.1965	577.7	+ 4.3	272.0	+ 6.7	69.3	- 1.6	162.2	+ 33.4	207.6	+ 21.5	152.5	+ 31.3	98.8	- 1.2	226.2	+ 76.6	1,188.6	+ 23.6	173.2	+ 54.9	25.5	+ 59.4	n.a.	n.a.	1,965.0	+ 19.5
30.6.1966	927.6	+ 60.6	300.5	+ 10.5	67.1	- 3.2	151.3	- 6.7	274.9	+ 32.4	160.2	+ 5.0	99.9	+ 1.1	295.5	+ 30.6	1,349.4	+ 13.5	216.0	+ 24.7	29.6	+ 16.1	n.a.	n.a.	2,522.6	+ 28.4
31.12.1966	1,069.4	+ 15.2	333.1	+ 10.8	64.8	- 3.4	169.0	+ 11.7	284.8	+ 3.6	165.9	+ 3.6	92.0	- 7.9	463.8	+ 56.9	1,573.4	+ 16.6	277.6	+ 28.5	29.8	+ 0.7	n.a.	n.a.	2,950.2	+ 16.9
30.6.1967	1,180.2	+ 9.4	348.9	+ 4.7	62.5	- 3.6	165.0	- 2.4	291.7	+ 2.4	151.7	- 8.6	96.2	+ 4.5	562.9	+ 21.4	1,678.9	+ 6.7	244.0	- 12.1	30.6	+ 2.7	n.a.	n.a.	3,133.7	+ 5.9
31.12.1967	1,017.4	- 13.8	428.0	+ 22.7	60.2	- 3.7	144.2	- 12.6	281.0	- 3.7	152.0	+ 0.2	117.1	+ 21.7	626.7	+ 11.3	1,809.2	+ 7.8	221.5	- 9.2	29.5	- 3.6	n.a.	n.a.	3,077.6	- 1.8

(1) Les crédits indiqués dans ce tableau sont des crédits privés garantis par les gouvernements et des crédits de gouvernement à gouvernement. La Pologne est le seul bénéficiaire des crédits de cette dernière catégorie qui figurent dans une colonne séparée.

- les crédits privés non garantis n'ont pas été inclus dans le tableau car d'une part les pays membres n'ont pas toujours signalé ces crédits et d'autre part, les renseignements disponibles ne peuvent être que très fragmentaires.

(2) Jusqu'au 31.7.1960, les crédits consentis à l'Europe de l'Est étaient indiqués sous deux rubriques: (i) Pologne et (ii) l'ensemble des autres pays. Après le 31.7.1960 et jusqu'au 30.6.1964, les renseignements sur les crédits, consentis à la Pologne et à la Zone d'occupation soviétique d'Allemagne ont été indiqués séparément, mais les autres pays de l'Europe de l'Est étaient encore groupés. Depuis le 31.12.1964, les pays membres fournissent le montant des crédits accordés à chacun des pays de l'Europe de l'Est. L'Albanie ne figure pas dans le tableau car, apparemment, aucun crédit ne lui a été consenti.

(3) Les crédits globaux en cours au 31.7.1961 ne peuvent être comparés, car les crédits accordés à la Chine communiste n'ont été signalés qu'à partir du 31.12.1961. De même, les crédits en cours au 30.6.1964 et 31.12.1964 ne sont pas strictement comparables car les renseignements concernant les crédits consentis à la Mongolie, à la Corée du Nord et au Nord Vietnam n'ont pas été fournis avant le 31.12.1964. Toutefois, dans ce cas, ces crédits sont relativement faibles par rapport au total des crédits en cours; en conséquence, le fait de les avoir ajoutés aux autres crédits ne fausse guère le pourcentage d'augmentation.

(*) La comparaison avec le 1er semestre de 1967 est faussée en raison, d'une part, de la dévaluation de la livre sterling et du kroner danois, et d'autre part, de la modification apportée par un pays au montant de ses crédits en cours à la fin de 1967 à la suite d'une application plus précise des critères de la procédure de report des crédits (voir paragraphe 1 du présent document).

(1) Credits given in this table are private credits guaranteed by governments and government-to-government credits. Poland is the only beneficiary of the latter which are shown in a separate column. - Private non-guaranteed credits have not been included in the table as, on the one hand, member countries have not always reported such credits, and, on the other hand, available data is likely to be very fragmentary.

(2) Until 31.7.1960, credits to Eastern Europe were reported under two headings: (i) Poland and (ii) all the other countries grouped together. After 31.7.1960, and until 30.6.1964, data on credits to Poland and to the Soviet-occupied Zone of Germany were given separately, but the other Eastern European countries were still grouped together. Since 31.12.1964, member countries report the amount of credits granted to each Eastern European country. Albania is not shown in the table as, apparently, no credits have been granted to it.

(3) Total credits outstanding on 31.7.1961 and 31.12.1961 are not comparable, since credits granted to Communist China have only been reported as from 31.12.1961. Similarly, amounts outstanding on 30.6.1964 and 31.12.1964 are not strictly comparable as credits to Mongolia, North Korea and North Vietnam were not reported before 31.12.1964. However, in this case, such credits are relatively small in comparison to the total outstanding ones, the percentage of growth is therefore hardly distorted by their addition.

(*) The comparison with the first half of 1967 is distorted since, on the one hand, the pound sterling and the Danish kroner have been devaluated and, on the other hand, a member country has adjusted the amount of its outstanding credits as at 31.12.1967, following a more precise application of the credit reporting procedure (see paragraph 1 of the present document).

TABLE III

New outstanding private guaranteed credits granted to Communist countries and reimbursements made by the latter during the second half of 1967

(In million US \$)

Period	USSR	Poland	Soviet Occupied Zone of Germany	Bulgaria	Czechoslovakia	Hungary	Rumania	Total Eastern Europe (1)	Communist China	Mongolia N. Korea Vietnam	GRAND TOTAL
1965/I	16.1	54.0	66.9	89.2	18.2	34.3	39.3	301.9	54.9	-	372.9
1965/II	71.3	71.3	59.3	41.1	40.8	6.0	111.4	329.9	85.7	10.1	497.0
1966/I	415.8	70.5	25.2	82.8	20.7	15.4	72.9	287.5	75.5	6.9	785.7
1966/II	188.3	92.1	40.6	33.4	24.0	6.2	191.9	388.2	105.7	5.5	687.7
1967/I	160.2	73.9	19.5	30.9	17.7	19.7	134.2	295.9	0.1	7.1	463.3
1967/II	276.2	161.4	15.1	15.9	33.0	34.7	94.5	354.6	17.7	9.8	658.3
Reimbursements during 2nd half of 1967	439.0	82.4	35.9	26.6	32.7	13.8	30.7	222.1	40.3	10.9	712.3(2)

(1) No credits have been granted to Albania.

(2) If reimbursements by Poland of government-to-government credits are taken into account, total reimbursements are equal to \$714.6 million. This total figure is to some extent artificially high in view of the two special factors referred to in paragraph 1 which have rendered more difficult the comparison with the previous six-month period.

TABLE IV
PRIVATE GUARANTEED CREDITS AND GOVERNMENT-TO-GOVERNMENT CREDITS OF OVER FIVE YEARS
OUTSTANDING ON DATES INDICATED

(in million US \$)

DATES	USSR	POLAND (2)		Soviet occup. zone of Germany	Bul- garia	Cze- choslo- vakia	Hungary	Rumania	Total Eastern Europe (1)	Commu- nist China	Mongolia North Korea North Vietnam	Grand Total
		Private guarant. credits	govt. to govt. credits									
31.12.64	149.4	0.3	72.5	-	1.0	19.9	18.4	-	112.1	-	-	261.5
30.6.65	150.4	5.7	70.4	9.3	1.0	26.0	28.5	29.0	169.9	-	6.3	326.6
31.12.65	162.7	13.0	69.3	26.9	1.1	32.8	28.6	113.1	284.8	-	6.3	453.8
30.6.66	537.5 (3)	32.4	67.1	27.0	37.4	39.0	30.4	130.8	364.1	-	6.3	907.9
31.12.66	645.7	49.2	64.8	26.4	37.5	53.6	30.2	224.2	485.9	-	6.3	1,137.9
30.6.67	740.4	54.3	62.5	26.0	40.0	60.4	28.8	279.1	551.1	-	6.3	1,297.8
31.12.67	741.7	191.4	60.2	22.8	60.8	71.6	26.7	311.1	744.6	-	6.3	1,492.6

(1) No credits have been granted to Albania.

(2) Poland is the only beneficiary of government-to-government credits.

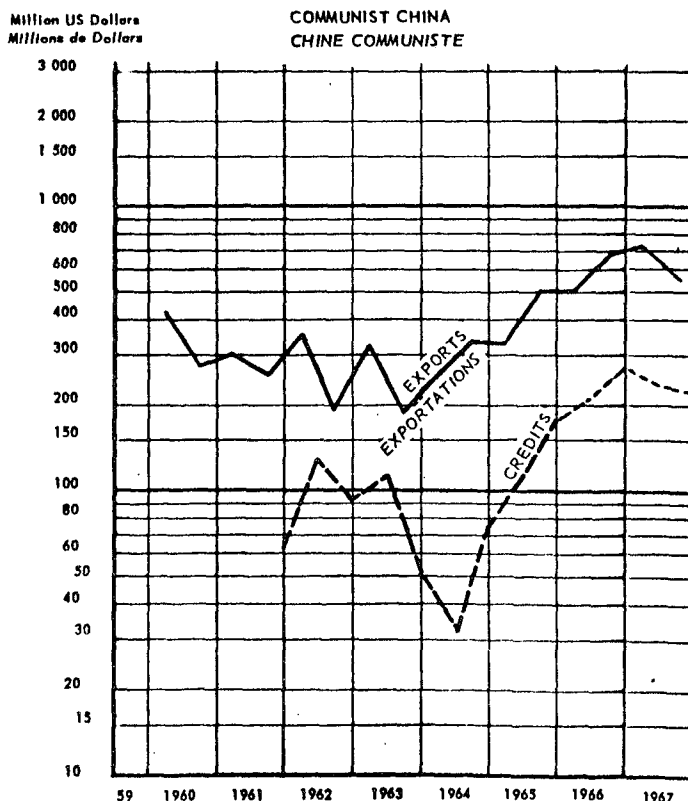
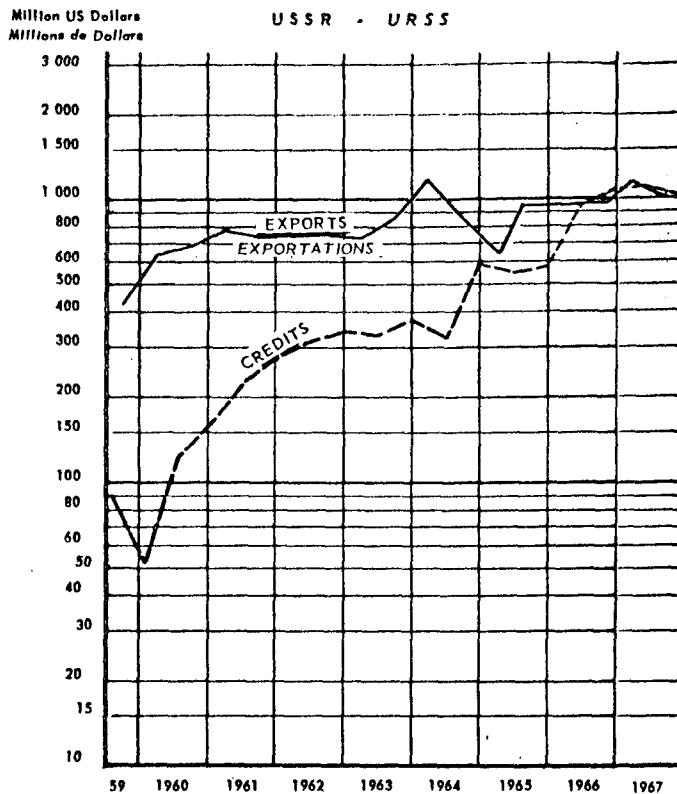
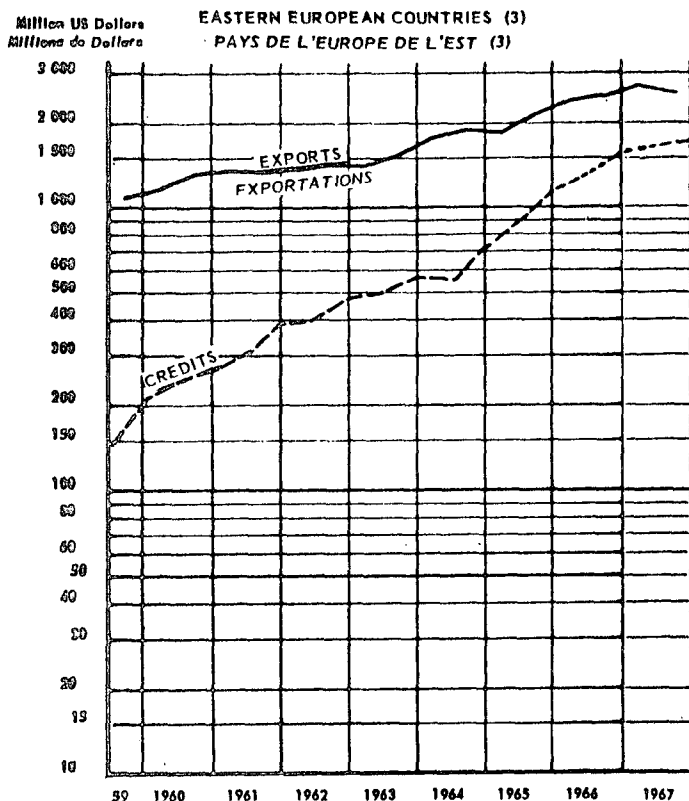
(3) This figure has been modified following a recent adjustment by a member country to its statistics for the 2nd half of 1966.

TABLE V
(In million US \$)

	1963		1964		1965		1966		1967	
	First half	Second half	First half	Second half	First half	Second half	First half	Second half	First half	Second half
NATO-EUROPE	352.0	278.5	257.2	327.3	286.2	304.0	296.1	290.9	433.8	436.4
NATO-NORTH AMERICA	40.8	151.3	334.1	105.1	39.3	187.9	174.2	163.0	113.4	65.9
TOTAL	362.8	429.8	591.3	432.4	325.5	491.9	470.3	453.9	549.8	499.7
	NATO COUNTRIES' EXPORTS TO THE USSR									
NATO-EUROPE	609.3	672.7	697.8	771.9	841.0	918.2	1,089.6	1,151.0	1,250.9	1,187.9
NATO-NORTH AMERICA	92.6	91.2	174.9	167.3	71.6	122.6	92.3	132.2	105.4	77.6
TOTAL	701.9	763.9	872.7	939.6	939.2	1,040.8	1,181.9	1,283.2	1,356.3	1,265.5
	NATO COUNTRIES' EXPORTS TO EASTERN EUROPE (1)									
	COUNTRIES' EXPORTS TO COMMUNIST CHINA									
NATO-EUROPE	90.6	66.5	69.6	94.3	116.4	196.6	190.0	232.6	284.6	245.9
NATO-NORTH AMERICA	70.1	27.1	54.7	71.7	48.4	49.0	63.1	107.9	65.5	19.0
TOTAL	160.7	93.6	124.3	166.0	164.8	245.6	253.1	340.5	350.1	264.9

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

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



NOTES

- (1) Private credits guaranteed by Governments
Credits privés garantis par les gouvernements
- (2) Export figures are yearly for 1959. Beginning 1960 export figures are half yearly and presented as yearly averages
Les chiffres des exportations sont annuels pour 1959. A compter de 1960 les chiffres des exportations sont semestriels et présentés comme des moyennes annuelles
- (3) Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Rumania and the Soviet-occupied Zone of Germany
Albanie, Bulgarie, Tchécoslovaquie, Hongrie, Pologne, Roumanie et la Zone d'occupation soviétique en Allemagne