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THE CONVERTIBLE CURRENCY BALANCE OF PAYMENTS OF THE USSR AND  
EASTERN EUROPE AND TRENDS IN EAST-WEST ECONOMIC RELATIONS

Note by the Secretary General

The attached report, prepared by the Economic Committee, studies recent developments and short-term prospects for the convertible currency balance of payments of the Eastern countries.

2. The Council is invited to take note of this document.

(Signed) Joseph M.A.H. LUNS

This document includes: 1 Annex

NATO,  
1110 Brussels.

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THE CONVERTIBLE CURRENCY BALANCE OF PAYMENTS  
OF THE USSR AND EASTERN EUROPE  
AND TRENDS IN EAST-WEST ECONOMIC RELATIONSREPORT BY THE ECONOMIC COMMITTEESUMMARY:

(i) The Soviet Union's convertible currency trade balance deficit increased in 1980 from the 1979 figure of \$2.1 billion to \$2.6 billion. The imbalance is entirely attributable to the balance of trade with the Third World while trade with the industrialized market economy countries was in balance for the first time since 1974. Soviet exports (worth \$23.5 billion) once again benefited in 1980 from the rise in the price of mineral fuels, particularly oil, sales of which increased in value from \$9 billion in 1979 to \$14 billion in spite of a small fall-off in the volumes delivered. Soviet imports (worth \$26.1 billion) grew at the same rate as exports (+ 22%) particularly because of increased purchases of iron and steel and chemical industry products (paragraphs 1-4).

(ii) The 1980 trends in convertible currency trade deficit of the East European countries varied from one country to another. Bulgaria once again achieved a positive balance thanks to its trade with the Third World while Czechoslovakia, on the strength of sharply increased exports, succeeded in re-establishing equilibrium. On the other hand, the GDR and Hungary continued to record deficits in their trade with the non-Communist countries although, apparently, less so than in 1979. Over the year as a whole, Poland greatly reduced its trade imbalance with the market economy countries from \$1.7 billion in 1979 to \$0.7 billion; the first half of the year, which suggested a return to a more balanced position, contrasts with the second half when the situation again worsened. Lastly, the deterioration in Romania's trading position continued with a convertible currency deficit of \$1.5 billion, which in absolute terms is the highest level recorded in the area (paragraphs 5-7).

(iii) Soviet sales of gold dropped from around 210/220 tonnes (worth \$2.1 billion) in 1979 to around 90 tonnes (worth \$1.8 billion) in 1980(1). This is a result of the reduction in the Soviet Union's financing requirements and may also reflect a desire to build up stocks which were probably eaten into by the large-scale sales which took place between 1976 and 1978. Arms exports to the Third World, which are estimated to have been worth

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(1) In 1981 the volume of Soviet gold sales appears to have increased, however.

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\$4 billion, were once again a major source of convertible currency for Moscow. The traditional surplus in invisibles was down from the 1979 figure of \$280 million to \$190 million because of a slight fall-off in net earnings from the tourist industry and transport. All in all, the Soviet Union earned a further large current account surplus in 1980 (estimated at \$3.4 billion) although this was lower than the record figure of \$4.3 billion for the previous year (paragraphs 8-11).

(iv) In the case of Eastern Europe's balance of payments on current account, Bulgaria in 1980 had again a surplus while Hungary apparently recorded a surplus, for the first time since 1973. The GDR and Czechoslovakia probably continued to run deficits though not on last year's scale. On the other hand, the dimensions now reached by Romania's deficit (\$2.4 billion) needs to be emphasized. There was little change in Poland's year-on-year deficit (\$3.0 billion in 1979 and \$2.8 billion in 1980); the reduction in the trade gap was almost entirely offset by the increase in interest payments on the debt (paragraphs 12-14).

(v) The continued high current account surplus probably enabled the Soviet Union to limit its recourse to Western financing facilities. According to preliminary estimates, its net convertible currency indebtedness at end-1980 stood at about \$10 billion which is comparable to the figure for the previous year. Financial constraints stemming from the debt are still easily manageable for the Soviet economy (paragraphs 15-19).

(vi) In Eastern Europe there was a drop in the net indebtedness of Bulgaria (around \$3 billion at end-1980 in net terms); the advance repayment of certain credits provides a further illustration of the recovery of this country. The effects of Czechoslovakia and Hungary's debt (approximately \$3 billion and \$7.5 billion respectively) still do not present any difficulty for either of these countries. The trend of the GDR's financial position in 1979 gave rise to some doubts. There seems to have been a slight deterioration in 1980 as evidenced by an increase in the debt-service ratio from 37.4% in 1979 to 40%. In absolute terms the East German debt (\$10.4 billion) ranks second to Poland's. At the same time, Romania has experienced a serious worsening of its financial position; in addition to the problems posed by a debt-service ratio which has risen appreciably, the country has to contend with a high proportion of short-term claims in its overall debt (\$9 billion net at end-1980) and a low level of reserves (paragraphs 20-28).

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(vii) Poland has reached an extremely critical stage with debt repayments (including interest) falling due during 1981 easily outstripping predicted earnings from exports of goods and services. Negotiations were concluded recently on the rescheduling of most repayments (principal and interest) of officially-backed Western credits expiring this year and agreement on the rescheduling of principal for a large proportion of the 1981 non-officially-backed bank credits has almost been reached. However, such arrangements will not provide for all Poland's financing requirements for 1981; it will be necessary to finance at least \$6 billion covering, inter alia, interest on non-officially-backed bank credits, the repayment of the short-term debt and the expected trade deficit. New officially-backed export credits granted by Western countries will enable Poland to cover part of this financing requirement, but probably not the whole of it. Although it is difficult to estimate, financial assistance to Poland from its COMECON partners would appear to fall short of Poland's requirements (paragraphs 29 to 32).

(viii) The Soviet Union's pattern of trade in 1981 will lead to an increase in the convertible currency trade gap. Moscow will not benefit to the same extent as in 1980 from the improvement in the terms of trade caused by movements in the price of mineral fuels in addition to which the volume of its oil sales may mark time or even decrease slightly. And at the same time, where imports are concerned, continued difficulties in the agricultural and certain industrial sectors, such as iron and steel, could lead to the maintenance of a large reserve of imports. In the case of Eastern Europe, these countries will continue their efforts to balance their current accounts; however these efforts could be possibly hampered by, among other things, a further deterioration in the terms of trade with the USSR (this reduces their capacity to export to the West), the dependence of East European industry on certain Western imports (semi-manufactures for example) and the increase of interest payments on the debt (paragraphs 33 to 37).

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C-M(82)2THE CONVERTIBLE CURRENCY BALANCE OF PAYMENTS  
OF THE USSR AND EASTERN EUROPE  
AND TRENDS IN EAST-WEST ECONOMIC RELATIONSI. SOVIET AND EAST EUROPEAN CONVERTIBLE CURRENCY PAYMENTS  
ON CURRENT ACCOUNT IN 1979 AND 1980A. TRADE BALANCE(i) USSR

In 1980 the Soviet Union recorded a worsening in its convertible currency trade balance. The deficit for this category of transactions increased from \$2.1 billion in 1979 to \$2.6 billion. A breakdown of trade into main geographical/economic areas (see Table 1) shows wide imbalances. The increase in the overall Soviet deficit is attributable to the much-increased imbalance in transactions with the Third World which reached \$2.6 billion as against \$0.5 billion for the previous year. At the same time, the redressment of the trade balance with the industrialized market economy countries is worth noting; this is a consequence of a new increase in the trade surplus with Western Europe (\$6.0 billion).

2. The convertible currency imports of the USSR (\$26.1 billion) rose rather more slowly than in 1979 (22% compared with 28%). The growth was caused mainly by increased purchases of iron, steel and chemical products and also by grain imports, which increased from \$4 billion in 1979 to \$6.5 billion. On the other hand, it seems likely that capital equipment imports continued their slightly downward trend which began in 1979. This is a result of the reduction, apparent since 1977, in orders, which in turn is explained essentially by difficulties in absorbing deliveries already made and the need to decrease the volume of incomplete investments.

3. Soviet exports rose by 22% compared to 1979 to a total of \$23.5 billion. Like last year, this increase reflects mainly the rise in the value of oil sales which jumped by some \$5 billion (from around \$9 billion in 1979 to approximately \$14 billion), under the stimulus of price rises(1). According to the Western statistics compiled by the International Energy Agency, the volume (in product equivalents) of Soviet sales to the OECD grouping, excluding Finland, dropped by 3% (see Table I at Annex)(2). Exports of natural gas also did well (up by around 50% to a total of \$3 billion) mainly

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(1) In 1980, the Soviet Union also increased the volume of its sales on the Rotterdam spot market, at rates above the reference prices.

(2) The International Staff has no data on the 1980 trend of Soviet convertible currency oil exports to the Third World.

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because of price movements. Where non-energy products are concerned, the compensation agreements mechanism apparently enabled the Soviet Union to increase slightly its chemical sector exports; sales of other categories of commodities on the other hand would seem to have stagnated or in certain cases, such as non-ferrous metals, even registered a drop because of difficulties in expanding output. All this led to even greater polarization of Soviet exports towards hydrocarbons and natural gas in 1980.

4. Although in statistical terms it is difficult to estimate accurately the trend of foreign trade prices, it is most probable that in 1980 the improvement in the Soviet Union's convertible currency terms of trade was at least as pronounced as during the preceding two years. The unit value statistics (in dollars) for Soviet transactions with the industrialized West compiled by the United Nations Economic Commission for Europe show that after a neutral price effect in 1977, the terms of trade (in dollars) of the Soviet Union improved by around 10% in 1978 and 32% in 1979(1). For 1980, the acceleration in the rise of oil and natural gas prices and the trend towards a drop in the growth rate of the unit value index in dollars of exports of manufactured goods from the industrialized market economy countries(2) augur for an even greater improvement of the Soviet terms of trade than in 1979.

(1) The ECE estimates of the unit value trend of Soviet trade with the industrialized West are as follows (annual percentage increases):

	<u>1977</u>	<u>1978</u>	<u>1979</u>
Soviet exports	9.7	10.1	56.4
Soviet imports	9.8	0.0	18.8

Sources: UN Economic Bulletin for Europe, volume 32, table 3.1.

(2) According to the UN statistics, the unit value in dollars of Western exports of manufactured goods (defined broadly as being commodities covered by sections 5-8 of the SITC classification) increased by 10% in 1980 compared with 14% the previous year. (Source: UN, Monthly Statistical Bulletin, June 1981).

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TABLE I - RECENT TRENDS IN SOVIET CONVERTIBLE CURRENCY TRADE  
(millions of \$)

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	1978			1979			1980		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
-Multilateral trade with the Western Industrialized countries as a whole	11,313	14,382	-3,069	16,884	18,535	-1,651	21,442	21,468	-26
including: Western Europe	9,802	8,709	1,093	14,841	10,719	4,122	19,675	13,660	6,015
including: The South-Sea Islands and Japan	1,094	2,794	-1,700	1,458	3,317	-1,859	1,487	4,207	2,720
including: North America	417	2,879	-2,462	585	4,499	-3,914	280	3,601	-3,321
-Multilateral trade with the developing countries	1,839	2,262	-423	2,353	2,819	-466	2,067	4,606	-2,539
-Total multilateral trade in convertible currency	13,152	16,644 (1)	-3,492 (1)	19,237	21,354	-2,117	23,509	26,074	-2,565

(1) Excluding imports of equipment and pipes for the Orenburg gasline which are given in footnotes to the Soviet Foreign Trade statistics (\$286 million).

Source: Soviet Foreign Trade statistics, exchange rates used:  
1978: 1 rouble = \$1.47; 1979: 1 rouble = \$1.53; 1980: 1 rouble = \$1.55.

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(ii) Eastern Europe

5. Among the East European countries, Bulgaria appreciably increased its trade surplus with the non-Communist countries in 1980 with a total of \$1.0 billion (see Table II). This result, which confirms Bulgaria's ability to redress its external payments position, is attributable to a big increase in the trading surplus with the Third World and the maintenance of a balance in transactions with the industrialized market economy countries. Czechoslovakia also improved its position and redressed the balance of its trade with the non-Communist world through a rise of 24% in exports which largely outstripped the 9% increase in imports; it is worth noting that this rise in exports was roughly the same for sales to the industrialized countries (23%) or the Third World (25%). Moreover, good agricultural performance helped to bring about a reduction in the growth of imports.

6. The GDR has substantially reduced its convertible currency trade gap from the 1979 figure of \$748 million to \$210 million. Hungary has also achieved a smaller imbalance than in 1979. At the same time, Romania's position has deteriorated with the trading deficit in convertible currency totalling \$1.5 billion, which is the highest figure among Eastern Europe. The Romanian economy was particularly hard hit in 1980 by the effects of a continued downturn in its own crude oil output(1) and the higher cost of its oil imports. Further, its refining has become a much less profitable business. Moreover, during the last quarter of the year Bucharest had difficulties with supplies as a result of the drop in Iraqi and Iranian exports which apparently obliged it to curtail some of its sales of refined product. Lastly, Romania seems once more to be running a large deficit with the industrialized countries of the West(2).

7. In 1980 Poland was once more confronted with a big trade gap in its dealings with the non-Communist countries although at \$0.7 billion it was less than half the previous year's figure (\$1.7 billion)(3). The pattern of transactions was different from one half-year to the next; thus, from January to July the situation was almost redressed(4) mainly through greater selectivity in imports (especially of raw materials and semi-finished products) and the export drive (often to the detriment of the domestic market).

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(1) Romanian crude oil output in 1980 was 11.5 million tonnes, compared with 12.3 million tonnes in 1979 and 13.7 million in 1978. (Source: AC/127-WP/646, Table 6).

(2) Western statistics put Romania's trade gap with the OECD area at \$668 million (see Table IV in the Annex).

(3) This decrease in the trade deficit for 1980 was attributable to a sustained (+ 16%) growth in exports and to a stagnation in imports.

(4) The deficit for this period was only \$87 million.

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TABLE II - EASTERN EUROPE:  
INDICATORS AVAILABLE TO THE INTERNATIONAL STAFF ON  
RECENT TRENDS IN CONVERTIBLE CURRENCY TRADE  
(millions of \$)

	1978	1979	1980
<b>Bulgaria (A)</b>			
- Exports	1,566	2,276	3,063
- Imports	1,418	1,618	2,014
- Balance	148	658	1,049
<b>Czechoslovakia (A)</b>			
- Exports	3,104	3,651	4,526
- Imports	3,530	4,139	4,519
- Balance	-426	-488	7
<b>Hungary (A)</b>			
- Exports	2,475	3,360	3,883
- Imports	3,822	4,042	4,560
- Balance	-1,347	-682	-677
<b>Poland (A)</b>			
- Exports	5,446	6,414	7,424
- Imports	7,242	8,157	8,100
- Balance	-1,796	-1,743	-676
<b>Romania (B)</b>			
- Exports	4,028	5,297	6,503
- Imports	4,632	6,518	8,037
- Balance	-604	-1,221	-1,534
<b>GDR (B)</b>			
- Exports	3,623	4,463	5,476
- Imports	4,058	5,211	5,686
- Balance	-435	-748	-210

(A) Transactions with the non-Communist countries.

(B) Transactions in convertible currency.

Sources: Bulgaria, Czechoslovakia, Hungary: official statistics

Poland: official figures supplied to Western banks

Romania: official figures supplied to the IMF

GDR: data supplied by the Delegation of the Federal Republic of Germany

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During the second half of the year, however, the gap widened because of the worsened economic and social climate and the extra imports needed to make up for the particularly poor agricultural performance.

B. GOLD AND ARMS SALES(i) Gold sales

8. In 1980, for the second year running, Moscow greatly reduced the volume of its gold sales which amounted to only about 90 tonnes(1) compared with 210/220 tonnes the previous year. The rise in gold prices, however, caused less of a drop in the value of earnings from this source (some \$1.8 billion compared with \$2.1 billion in 1979 - see Table III). The comparative inactivity of the Soviet Union on the market is directly linked to the redressment of the balance of payments on current account; it may also reflect a desire to rebuild stocks which were probably eaten into by the large-scale sales which took place in 1976, 1977 and 1978.

(ii) Arms sales

9. According to estimates made by United States Experts, the Soviet Union's convertible currency earnings from arms sales to the Third World in 1980 remained the same as the year before at \$4 billion(2). The size of this figure highlights once again the importance of arms sales for the Soviet Union's convertible currency balance of payments.

C. INVISIBLE TRANSACTIONS AND BALANCE OF PAYMENTS ON CURRENT ACCOUNT(i) USSR

10. Preliminary estimates show a slight drop in 1980 in the Soviet Union's usual surplus of services from \$451 million in 1979 to \$390 million (Table III, page 14). As regards the different invisible sectors, net earnings from tourism (\$350 million) declined slightly together with net receipts from transport (\$750 million). In the latter case it would seem that this is due to the combined effects of increased recourse to chartering for the transport of imported grains and reduced cross-trading by the Soviet merchant navy. On the other hand, the net investment income deficit (which essentially reflects payments of interest on the debt) decreased from \$799 million in 1979 to \$710 million. The deficit for net

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- (1) According to certain sources, the USSR also sold 30 tonnes of gold through Bulgaria.  
 (2) According to estimates made by Experts from the Federal Republic of Germany, the Soviet convertible currency earnings from arms sales reached 2.0 to 2.5 billion in 1980.

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official transfers increased slightly to \$200 million; this is accounted for by the USSR's hard currency contribution to the United Nations budget.

11. To sum up, in 1980 the USSR recorded a further substantial surplus in its balance of payments on current account (\$3.4 billion). Although this is down on the 1979 figure of \$4.3 billion, it represents a prolongation of the trend towards a redressment of external payments begun in 1977.

(ii) Eastern Europe

12. The Economic Directorate possesses detailed and up-to-date information on invisible transactions for Romania and Poland only. These figures are drawn from official data supplied in the first case to the IMF and in the second to Western banks in the framework of negotiations for a rescheduling of certain debts.

13. It will be seen from Table IV that Romania's convertible currency services deficit increased from one year to the next and reached \$865 million. This is explained by the increased deficit for the transport sector and, above all, by the higher net interest payments which are themselves a normal consequence of the rapid growth in the country's debt. The simultaneous deterioration in the trade balance and the services balance has substantially increased the current account deficit (\$2.4 billion). Poland also had a significant increase in the deficit for invisibles because of heavier payments of net interest on the debt. This rise almost completely offset the corresponding reduction in the deficit for merchandize trade, with the result that Poland's current account deficit vis a vis the non-Communist countries was virtually the same as in 1979 (\$2.8 billion compared with \$3.0 billion, Table V).

14. The balance of payments on current account of the other East European countries appears to have taken a turn for the better, more so for some countries than for others. Bulgaria is reported to have registered a new, substantial, surplus perhaps in the region of \$700 million(1). According to official sources, Hungary achieved a surplus (\$150 million) for the first time since 1973(2). Czechoslovakia, on the other hand, would have recorded a relatively modest deficit of around \$200 million. It is possible that the GDR also succeeded in reducing its current account/deficit.

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- (1) On the basis of a trade surplus of \$1 billion and a deficit for invisibles estimated at around \$300 million.
- (2) No detailed information is available on the reasons for this surplus which at first sight may be surprising since Hungary recorded a trade deficit (\$102 million) with the non-rouble area (which includes hard currency trade with other CMEA members) and probably also a deficit for invisibles because of payments of interest on the debt.

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TABLE III - USSR: RECENT TRENDS IN CONVERTIBLE CURRENCY  
CURRENT PAYMENTS  
(millions of \$)

	1978	1979	1980(2)
1. Exports, FOB	13,152	19,237	23,509
2. Imports, FOB	16,930(1)	21,354	26,074
3. Trade balance (3=1-2)	-3,778	-2,117	-2,565
4. Non-monetary gold sales	2,522	2,100	1,800
5. Arms sales	2,500	4,000	4,000(3)
6. Balance of convertible currency trade within CMEA	-57	60	-
7. Net tourism	250	400	350
8. Net transport	970	850	750
9. Net investment income	-881	-799	-710
10. Net services (10=7+8+9)	339	451	390
11. Net transfers	-140	-170	-200
12. Balance of payment on current account (12=3+4+5+6+10+11)	<u>1,386</u>	<u>4,324</u>	<u>3,425</u>

(1) Including importations of equipment and pipes for the Orenburg gasline.

(2) Provisional data.

(3) See footnote(2) page 13.

Sources: Table I and data supplied at the meeting of Experts on 21st and 22nd May 1981.

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II. CAPITAL FLOWS AND CONVERTIBLE CURRENCY DEBT OF THE USSR AND THE EAST EUROPEAN COUNTRIES IN 1979 AND 1980.

A. USSR

15. The Soviet Union's convertible currency capital flows are closely linked to the country's financing requirements. In this respect, the achievement in 1980 for the third year running of a large surplus on current account probably encouraged Moscow to limit its recourse to available financial facilities in the West. The scant information available to the International Staff would seem to indicate that last year total net capital inflows were very small and perhaps even non-existent, with new drawings being more or less offset by the amortization of the existing debt (in 1979, on the contrary, there was a net capital outflow of around \$1 billion). Under these circumstances, the Soviet Union's net indebtedness in convertible currency probably changed very little in 1980 and remained close to the \$10 billion mark(1).

16. In 1980 the USSR seems to have stuck to its traditional policy of giving preference to officially-backed export credits from Western countries. However, drawings on this type of credit have apparently declined to around \$2 billion compared with between \$2.5 and \$3 billion in 1979, while net inflows may have been close to \$0.3 billion as against between \$0.8 and \$1.0 billion last year. The Soviet debt arising from export credits guaranteed by official institutions in the West amounted at end-1980 to approximately \$8.5 billion and accounted for more than four-fifths of the net total convertible currency indebtedness. This gives the Soviet Union's debt a unique structure compared with that of other European Communist countries(2).

17. Regarding the Soviet Union's debt on non-officially guaranteed bank credits, the BIS data reveal that the net position vis a vis the USSR and the COMECON financial institutions of Western banks reporting to the BIS registered a rise of \$0.5 billion in 1980 and was \$4.8 billion at the end of the year (see Table VII). However, the bulk of this figure was accounted for by the COMECON banks' debts(3); in all probability the USSR on its own was in a position close to equilibrium, the value of its assets in Western banks being

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- (1) Other estimates (see AC/127-D/684 dated 22nd May 1981) put the net Soviet debt slightly lower, at \$8.3 billion.  
(2) After the USSR, Poland has the highest proportion of officially-backed credits in the total debt (41% at end-1980).  
(3) The BIS statistics show the position of the USSR and the COMECON banks together.

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TABLE IV - ROMANIA: RECENT TRENDS IN CONVERTIBLE CURRENCY  
CURRENT PAYMENTS  
(millions of \$)

	1978	1979	1980
1. Exports FOB	4,028	5,297	6,503
2. Imports FOB	4,632	6,518	8,037
3. Trade balance (3=1-2)	-604	-1,221	-1,534
4. Net tourism	112	171	210 { debit=-28 credit=+238
5. Net transport and telecommunications	-111	-370	-458 { debit=-793 credit=+335
6. Net interest	-173	-385	-788 { debit=-836 credit= +48
7. Other services, net	-3	137	171 { debit=- 67 credit=+238
8. Total net services (8=4+5+6+7)	-175	-447	-865 { debit=-1,724 credit= +859
9. Balance on current account (9=3+8)	-779	-1,668	-2,399

Sources: Official Romanian data supplied to the IMF.

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TABLE V - POLAND: RECENT TRENDS IN CURRENT PAYMENTS WITH THE  
NON-COMMUNIST COUNTRIES  
(millions of \$)

	1978	1979	1980
1. Exports FOB	5,446	6,414	7,965
2. Imports FOB	7,242	8,157	8,757
3. Trade balance (3=1-2)	-1,796	-1,743	-792
4. Net transport and insurance	-68	-153	-142
5. Net interest on debt	-1,116	-1,597	-2,334
6. Other services, net	-15	-2	-39
7. Total net services (7=4+5+6)	-1,199	-1,752	-2,515
8. Net private transfers	630	513	526
9. Net official transfers	-10	-10	-2
10. Balance on current account (10=3+7+8+9)	-2,375	-2,992	-2,783

Sources: Official Polish data circulated in April 1981. In November 1981 revised, but less detailed, information for 1980 was disclosed:

	1980 (billion \$)
1. Exports F.O.B.	7.4
2. Imports F.O.B.	8.1
3. Trade balance (3 = 1 - 2)	-0.7
4. Services and remittances, met	+0.3
5. Net interest on debt	-2.2
6. Balance on current account (6 = 3 + 4 + 5)	-2.6

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more or less equal to its outstanding debts to the latter. However, it has been noted that after having borrowed medium-term syndicated Euro-credits in an (identified) amount of \$400 million in 1978 and \$320 million the following year, the USSR withdrew almost completely from the Euro-market in 1980 and the beginning of 1981(1)(2).

18. After deduction of the claims of banks reporting to the BIS, the rest of the Soviet commercial debt comes to around \$1 billion; it is made up essentially of supplier credits which are not officially-backed and not held by a bank. A great share of these credits are discounted by the Western exporters on the à forfait market. However, the number of promissory notes subject to forfaiting is tending to decline in particular because of the restrictions placed on their transferability by the Soviets with a view to reducing their circulation(3).

19. The financial constraints arising from the convertible currency debt apparently puts no real strain on the Soviet economy. In 1980 the ratio between debt servicing (principal plus interest) and the value of convertible currency earnings from merchandize exports can be put at approximately 25%-30%, a proportion which would give rise to no difficulty. And a large part (about 40% of the gross debt) of the Soviet indebtedness is self-liquidating.

B. EASTERN EUROPE

20. Unlike the trend for the Soviet Union, the convertible currency debt of the East European countries continued to grow in 1980 and reached about \$59 billion at the end of the year (as against \$50 billion a year before, see Table VI).

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- (1) For 1980 the statistics of the World Bank ("Borrowing in International Capital Markets") make no mention of any such operations whereas the OECD financial statistics refer only to a \$50 million credit during the third quarter. However, in April 1981 the Vneshtorgbank returned to the market for a small \$25 million credit. The reasons behind this limited transaction could not be completely explained by international financial circles but a possible explanation is that the USSR wanted to test the American market.
- (2) The high level of Euromarkets interest rates is probably one of the reasons for this Soviet withdrawal.
- (3) In 1979, the last year for which estimates are available, the amount of new Soviet promissory notes placed in the West was estimated at \$400 million.

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Poland alone accounted for 45% of the entire debt (\$26 billion). The GDR has the second largest debt (\$10.4 billion) followed by Romania (\$9.2 billion), where debt has also risen the fastest.

21. Traditionally, credit without official backing extended by Western banks has provided the main component of Eastern Europe's convertible currency debt and of its growth. But in 1980 this component would seem to have played a smaller rôle in the increase in Eastern Europe's debt; table VII shows that the net credit position vis a vis Eastern Europe of banks reporting to the BIS (excluding the residual) increased by \$3.2 billion compared with \$6.1 billion in 1979 (and \$7.0 billion in 1978)(1). This trend was probably accompanied by the increased granting of new export credits guaranteed by official Western institutions, especially to the most heavily indebted countries (Poland, GDR)(2).

- (1) At the same time, the East European countries made slightly less use of (identified) medium-term syndicated Euro-credits which amounted to \$2.1 billion in 1980 compared with \$3.1 billion the year before (see Table V in the Annex).
- (2) The trend noted in the case of Poland is particularly significant as the following comparison shows:

	1978	1979	1980
A. <u>Trend of net debtor position</u> vis a vis banks reporting to the BIS (\$ millions)	+2,238	+3,037	+ 565
B. <u>Net drawings on credits</u> (including short-term credits) from non-Communist countries (\$ millions).	+2,806	+3,913	2,400

Sources:   A - BIS  
              B - official Polish statistics

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TABLE VI - EASTERN EUROPE: ESTIMATES OF TRENDS IN NET TOTAL  
CONVERTIBLE CURRENCY INDEBTEDNESS

(millions of \$; end-of-year situation)

COUNTRIES	Years	1975	1978	1979	1980
Bulgaria		2,257	3,710	3,730	(3,000)
Czechoslovakia		827	2,513	3,070	(3,000)
GDR		3,548	7,422	9,035	10,369
Hungary		2,195	6,532	7,320	(7,500)
Poland(1)		7,381	16,972	20,000	26,000(3)
Romania		2,449	4,852	6,875	9,255(2)
TOTAL		18,657	42,001	50,030	(59,100)
CMEA BANKS		2,790	4,883	4,866	4,935

(1) These data include the short-term debt.

(2) Source: official statistics supplied to the IMF, including Romania's position vis-à-vis the Fund. The value on 31st December 1980 of Romanian assets in banks reporting to the B.I.S. (\$263 million) has been deducted from the gross debt of \$9,518 million.

(3) Source: Official Polish data

Sources: 1975-79: CM(80)84, Table VIII.  
1980 (except Romania): estimates given at the Economic Committee's meeting of Experts on 21st and 22nd May 1981.  
For the GDR - data supplied by the Delegation of the Federal Republic of Germany.

( ) Preliminary estimates

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TABLE VII - EXTERNAL POSITION IN DOMESTIC AND FOREIGN CURRENCY OF THE BANKS OF COUNTRIES REPORTING TO THE BIS(1) AND OF CERTAIN OFFSHORE BRANCHES OF UNITED STATES BANKS(5)

(millions of current \$)

Country	Bank assets				Bank liabilities				Net position			
	31.12. 1978	31.12. 1979	31.12. 1980	31.3. 1981	31.12. 1978	31.12. 1979	31.12. 1980	31.3. 1981	31.12. 1978	31.12. 1979	31.12. 1980	31.3. 1981
Soviet Union(2)	12,761	12,922	13,388	13,911	5,852	8,621	8,568	5,519	6,909	4,301	4,820	8,392
Bulgaria	3,174	3,085	2,614	2,491	492	711	774	805	2,682	2,374	1,840	1,686
Czechoslovakia	1,976	2,848	3,461	3,477	629	1,004	1,257	910	1,347	1,844	2,204	2,567
GDR(3)	6,193	7,724	9,462	9,625	1,195	1,897	2,036	1,942	4,998	5,827	7,426	7,683
Hungary	6,449	7,370	7,447	6,841	899	1,166	1,376	834	5,550	6,204	6,071	6,007
Poland	11,723	15,049	15,137	14,701	808	1,097	620	565	10,915	13,952	14,517	14,136
Romania	2,543	3,978	5,297	5,396	222	298	263	147	2,321	3,680	5,034	5,249
Residual(4)	2,723	2,939	3,004	2,397	506	628	673	670	2,217	2,311	2,331	1,727

Sources: Quarterly bulletin of the BIS

- (1) Austria, Belgium, Luxembourg, Denmark, France, Federal Republic of Germany, Ireland, Italy, Netherlands, Sweden, Switzerland, United Kingdom, Canada, Japan, United States.
- (2) Including COMECON banks.
- (3) Excluding the position of banks in the Federal Republic of Germany vis-à-vis the GDR.
- (4) For banks located in Japan and Switzerland, the breakdown of transactions is not always known precisely for each Communist country so the residual formula has been used.
- (5) Branches in the Bahamas, the Cayman Islands, Panama, Lebanon, Hong Kong and Singapore.

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22. The financial strains which the convertible currency debt puts on East European countries have changed in somewhat different directions in each borrowing country. This difference in situations makes it more and more difficult to formulate conclusions covering the region as a whole.

23. The improvement in Bulgaria's financial position became even clearer in 1980 with the absolute value of the net debt (which became stabilized in 1979) dropping appreciably to around \$3 billion (Table VI). The fact that Sofia contracted no public syndications on the Euro-Market in 1980 and 1981 and reimbursed in advance some portions of the Euro-credits contracted earlier provides further proof of this improvement. Czechoslovakia's debt burden presents no difficulties for the economy because of its modest absolute value (approximately \$3 billion) and, above all, because it will probably be possible to maintain a comparatively low (under 25%) ratio between repayments of principal and interest and earnings from merchandize exports to the non-Communist world. However, the increasingly outdated industrial base of the country may force it to increase imports of Western equipment and technology, and thus possibly foreign borrowing, in order to maintain competitiveness.

24. Hungary's convertible currency debt at end-1980 was in the region of \$7.5 billion. Although not excessive, the cost of this debt, judged by the debt-service ratio, is still fairly substantial(1). Because of a traditional policy of using almost exclusively non-guaranteed bank credits Hungary has been hit proportionately harder than its European COMECON partners by the rise in interest rates on the money markets. But the redressing in 1980 of the current payments balance was a positive factor for the improvement of Hungary's financial position. Moreover, the nation's credit worthiness is very good among international banking circles as evidenced by the comparatively favourable terms offered it on the Euro-market(2).

- (1) In 1979, the last year for which statistics are available, the ratio between repayments of principal and interest and earnings from merchandize exports to the non-Communist countries was 37% (Source: CM(80)84, Table X).
- (2) The financial review "Euromoney" periodically establishes a rating - as banks see it - of the credit worthiness of the countries which borrow on the Euro-market. This rating covers publicized, syndicated Euro-credit and is based on various parameters such as the amount of loan, spread and maturity. The following table takes account of transactions over the period July 1979-August 1980. (Source: Euromoney, October 1980).

<u>Country</u>	<u>Rating</u>	<u>Country</u>	<u>Rating</u>
USSR	14/67	Romania	28/67
Hungary	15/67	Czechoslovakia	34/67
GDR	22/67	Bulgaria	47/67
		Poland	56/67

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25. In May 1981 Hungary contracted a new \$400 million loan on the Euro-market, a transaction which raised several questions in banking circles in view of the \$150 million loan contracted in February from a consortium of Arab banks at a time when the Hungarian Authorities had let it be known that they would not return to the market for some time. It is probable that the new credit was issued because the Budapest Authorities were afraid that the Polish example might lead banks to tighten up their credit terms for all the East European countries. Another possibility might be the building-up of reserves intended to support the possible convertibility of the Forint.

26. The steep rise between 1977-1979 in the debt-service ratio of the GDR led to some speculation whether the country was really able to control its external payments. The improved balance of payments on current account situation in 1980 has, on the contrary, reinforced confidence in the solvency of the GDR. Expressed in terms of overall gross current receipts (and therefore including transfers from the Federal Republic of Germany) the debt-service ratio (principal plus interest) was estimated at 40% for 1980. This figure represents a slight deterioration as compared with 1979 (37.4%), but the debt-service ratio increase has been much slower than between 1978 and 1979. Furthermore, it would seem that the repayments schedule - particularly for officially-backed credits - shows a comparatively favourable pattern(1).

27. The development of Romania's financial situation, on the other hand, calls for a far more qualified judgement. In the mid-seventies, this country largely succeeded in redressing its external payments position. Since 1978-1979, it has again been faced with a rapidly increasing convertible currency indebtedness and a resulting upsurge in the repayments burden. According to the official statistics supplied to the IMF, the debt-service ratio(2) was 45% in 1980. Moreover, Romania has to face two difficulties; firstly, the relatively high percentage of short-term liabilities in the total debt and secondly the low level of reserves. In this connection, BIS figures show a total of only \$263 million(3) for Romanian assets in Western banks at end-1980.

- 
- (1) In this connection see AG/127-WP/639, Tables VI and IX.  
 (2) Calculated as follows: (payments of interest on the overall debt + reimbursements of principal, including short-term debt) divided by the figure for gross current account receipts.  
 (3) However, according to the IMF international financial statistics, Romania also has gold reserves amounting to 3.7 million ounces.

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28. So far Romania has remained solvent and, moreover, received substantial help from the IMF and the World Bank(1). However, should the trend towards a growing current payments deficit be confirmed, Western banks may think twice before committing themselves further or may grant credit on less favourable terms than in the past. Besides, the Polish example has shown that a desperate financial crisis can build up quickly.

29. Poland has reached a most critical stage for its convertible currency external payments. Financial requirements for 1980 (\$7.8 billion - see Table VIII) have been covered solely through large-scale borrowing (medium and long-term capital inflows came to \$8.3 billion). At the same time, debt service alone (principal plus net interest) forecast for 1981 (\$8.8 billion(2)) greatly exceeded earnings expected from merchandize exports and net services and transfers (\$6.1 billion). Faced with this insuperable problem, the Polish Government has started negotiations for a multilateral arrangement intended to consolidate the country's debt. A first phase of negotiations carried out in a context rather like that of the Club de Paris led to a rescheduling (or a refinancing) of 90% of the repayments (principal and interest) on officially-backed credits from 15 Western governments(3) maturing in 1981(4). Under the terms of this agreement, repayments will be made over 8 years, with a 4 year period of grace.

30. The negotiations started simultaneously by the Polish Authorities with the Western banks for the consolidation of the non-officially backed debts turned out to be more protracted and difficult than those carried on with the governments if only because of the exceptionally large number of banking establishments (approximately 460) and the variety of credits concerned. At the end of March the banks had apparently agreed to avoid putting Poland in the position of having defaulted on payments maturing up to June 1981 and, moreover, to provide for the tacit renewal of the short-term credits. According to the information available to the International Staff the Polish Authorities would have liked to obtain the postponement for between 8 and 10 years of \$3.1 billion corresponding to medium and long-term repayments scheduled for 1981, together with a bridging loan of \$1 billion. After one round of negotiations,

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- (1) In particular the IMF recently allowed Romania to draw up to SDR 1.1 billion (\$1.33 billion) over the next three years.
  - (2) Probably excluding repayments of principal (in the region of \$1 billion) on the short-term debt.
  - (3) Federal Republic of Germany, Austria, Belgium, Canada, Denmark, United States, Finland, France, Italy, Japan, Norway, Netherlands, United Kingdom, Sweden and Switzerland.
  - (4) In principle, the agreement covered 90% of the amount of credits repayable between 1st May 1981 and 31st December 1981 but also included, so it seems, unsettled repayments which fell due before the 1st May. The principal repayments postponed are apparently in the region of \$2.4 billion. According to the data supplied in February 1981 by the Polish Authorities, the principal figure for all officially-backed credits from non-Communist government institutions theoretically falling due for repayment in 1981 comes to \$3.6 billion.

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TABLE VIII - POLAND: RECENT TRENDS  
AND OFFICIAL PROJECTIONS FOR 1981 OF  
CAPITAL FLOWS WITH THE NON-COMMUNIST COUNTRIES  
(millions of \$)

	1978	1979	1980	1981*
[pro mem: balance on current account]	-2,375	-2,992	-2,600	(-2,300)
[pro mem: net interest payments]	1,116	1,597	2,200	(2,400) (1)
Gross drawings of medium- and long-term credits	5,234	8,154	8,300	-
Amortization of medium- and long-term debt	2,975	4,341	5,200	(6,400) (2)
Net short-term capital variation	+547	+100	-700	(-800)

Source: official Polish statistics supplied in April and in November 1981.

\* Polish projections.

(1) Including the amounts rescheduled or refinanced (\$0.5 billion).

(2) Including the amounts rescheduled or refinanced (\$4.2 billion)

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there now seems to be virtual agreement that 95% of the principal for the medium- and long-term debts maturing between 26th March and the end of 1981 will be rescheduled over seven and a half years(1). Interest will continue to be paid on the LIBOR basis with a spread of 1.75 points. One quid pro quo for the rescheduling is that Poland should provide the banks concerned with detailed and comprehensive economic and financial information.

31. It is important to remember however that the reschedulings agreed (with the Western governments) or about to be agreed (with the banks) will by no means meet all Poland's financing requirements for 1981; at least a further \$6 million(2) will have to be found. In view of the danger to the economy of further compressing imports and the likely reluctance of international banking circles to extend further loans it is highly probable that the Polish Government will attempt to obtain the maximum amount of new credits from the Western countries. In this respect, the request recently sent to the European Communities is significant(3). But if Poland does not succeed in the short-term in introducing the checks and balances required to pave the way for an economic revival, such credits, if they are forthcoming, will only add to a debt burden which is already well beyond the country's financial capacity. In this respect the problem of repaying debts maturing in 1982 will have to be faced soon.

32. Financial assistance from the USSR and Eastern Europe would seem to be comparatively small in relation to Poland's requirements. According to official Polish data, the financial aid from other socialist countries granted in 1981 amounted to \$2.15 billion, including \$1.4 billion in convertible currency (the latter stemming from \$0.4 billion in interest-free credits and from \$1.0 billion in rescheduling and refinancing of previous loans). In any event, the Soviet Union's ability and, a fortiori, that of the East European countries, to provide extensive direct financial assistance is limited. In actual fact, the greatest assistance the COMECON members probably grant Poland is allowing it to have a trade deficit with them(4).

- (1) The value of the claims thus rescheduled will apparently be in the region of \$2.3 billion. The remaining 5% are due to be repaid in 1982.
- (2) This figure is based on the sum (i) of the repayments (principal + interest) of officially-backed credits unrelated to the Paris agreement, (ii) repayments (principal + interest) of non-rescheduled bank credits, (iii) interest on rescheduled bank credits, (iv) repayments (principal + interest) of the short-term debt and (v) the trade gap (\$900 million forecast by the Polish Authorities). However, drawings on officially-backed export credits committed by Western countries will enable Poland partly to satisfy this financing requirement.
- (3) Poland reportedly requested emergency financial assistance of \$500 million.
- (4) In the memorandum they sent in November, the Polish Authorities forecast a trade gap with the other COMECON member countries of \$1.8 billion in 1981 and, more generally, the continuation of a deficit up to and including 1985. The Polish trade statistics for the first nine months of 1981 show a big deficit (\$1,426 million) vis-à-vis the Soviet Union but, on the other hand, it is interesting to note that Poland had a surplus (\$169 million) with the other East European countries. The existence of this surplus raises the question of the scale of the assistance actually provided by the latter although it is quite possible that economic assistance deliveries are not entered by the East European countries concerned in their foreign trade statistics.

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C-M(82)2III. LIKELY SHORT-TERM TRENDSA. USSR

33. It seems more and more likely that the Soviet convertible currency trade deficit will increase substantially in 1981 as a result of a continued significant rise in imports and a slower growth of exports. The statistics for Soviet trade for the first half of the year reflect this trend (see Table IX, page 30): it shows that the USSR's trade deficit almost doubled in comparison with January-June 1980.

34. The 1981 grain harvest (about 170 million tons), which is disappointing for the third year running should set off a further increase in imports of certain agricultural produce. In particular, imports of grain for the agricultural year may reach a record volume of 40 million tonnes or more (as against 34.5 million tonnes for 1980/81), particularly because of the increased port capacity. In addition, large-scale imports of meat will also have to be made if the planning targets are to be reached.

35. Continued large imports of semi-manufactures may also be expected. Problems encountered in the steel production sector coupled with the impossibility of meeting domestic requirements for pipelines by increasing production capacity will make it necessary to purchase in the West. In this respect, several major contracts covering deliveries as from 1981 have been signed since the beginning of the year, with Japan and the Federal Republic of Germany, among others. Where capital equipment is concerned, on the other hand, the maintenance in 1980 of a fairly low ceiling on the value of new orders should not alter the trend towards some limitation of Soviet imports. However, for this category of imports, the Soviet commercial policy seems to be evolving towards a decrease in purchases of turnkey projects towards the development of other types of imports geared to the modernization of existing production capacity.

36. Soviet exports may rise at a less regular pace than in 1980 because price movements will not operate in their favour so much this year. The volume of Soviet convertible currency sales will probably be of the same magnitude (or perhaps slightly lower) than the previous year, and oil prices have softened. On the other hand, sales of natural gas may rise substantially (perhaps from \$3 billion worth in 1980 to \$4.5 or \$5 billion) under the combined effects of a new growth in the volume of deliveries and a price rise superior to that of oil.

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TABLE IX: SOVIET CONVERTIBLE CURRENCY TRADE IN JANUARY-  
JUNE 1980 AND JANUARY-JUNE 1981 (MILLIONS OF \$)

	January-June 1980			January-June 1981		
	Exports	Imports	Balance	Exports	Imports	Balance
- Multilateral trade with the Western industrialized countries as a whole	9,131.8	11,102.6	-1,970.8	8,763.1	12,347.7	-3,584.6
- including: Western Europe	8,236.5	7,152.9	1,083.6	8,050.7	8,052.0	- 1.3
- including: The South-Sea Islands and Japan	737.2	2,268.6	-1,531.4	591.1	2,335.8	-1,744.7
- including: North America	158.1	1,681.1	-1,523.0	121.3	1,959.9	-1,838.6
- Multilateral trade with the developing countries	1,235.8	2,563.8	-1,328.0	1,073.8	3,548.7	-2,474.9
- Total multilateral trade in convertible currency	10,367.6	13,666.4	-3,298.8	9,836.9	15,896.4	-6,059.5

Source: Soviet Foreign Trade Statistics; exchange rates used:

January-June 1980: 1 rouble = \$1.55

January-June 1981: 1 rouble = \$1.42

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B. EASTERN EUROPE

37. The East European countries are continuing their efforts to redress their convertible currency current payments position. This necessarily requires an improvement in their trade balance. However, the achievement of this goal runs into two difficulties: East European export prospects remain limited in view of the weak growth of demand in industrialized non-Communist countries, and also because products offered do not always meet Western markets' standards. On the other hand, the economies of the East European countries are becoming more and more dependent on imports of semi-manufactures and even raw materials which have to be paid for in convertible currency. In this respect, it is worth recalling that one of the major causes of Poland's present industrial decline is the shortfall in imports of this kind. Lastly, there are two other factors which operate to the disadvantage of these countries, viz, the continuing deterioration in the terms of trade with the USSR (which reduces capacity to export to the West, although so far the USSR has allowed East Europe to build up large transferable roubles deficits) and the diversion of resources to meet interest payments.

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**TABLE I: TOTAL OIL EXPORTS (IN PRODUCT AND PRODUCT EQUIVALENTS)  
FROM THE EUROPEAN COMMUNIST COUNTRIES TO THE OECD AREA**  
(x 1,000 tonnes)

	1979			1980		
	USSR	Romania	Others	USSR	Romania	Others
Belgium-Luxemburg	2662	65	89	3561	3	88
Denmark	1910	-	359	1213	20	683
France	5753	297	98	7903	591	130
Federal Republic of Germany	8905	1067	3266	6641	1011	3972
Italy	5968	-	1044	6452	25	2411
Netherlands	5608	1684	1177	7366	979	949
United Kingdom	2742	-	62	1185	82	21
Greece	1014	439	762	1208	985	1430
Iceland	365	-	-	358	-	-
Norway	770	-	17	192	-	122
Portugal	768	36	-	489	31	27
Turkey	175	351	409	193	583	280
Canada	-	-	-	-	-	-
USA	62	388	-	34	169	-
<b>TOTAL NATO</b>	<b>36702</b>	<b>4327</b>	<b>7283</b>	<b>36795</b>	<b>4479</b>	<b>10113</b>
Ireland	361	-	-	176	-	-
Austria	1605	51	631	1404	68	925
Finland	9937	-	-	9214	5	16
Spain	821	33	8	1283	206	183
Sweden	4207	178	513	2307	102	895
Switzerland	2205	6	185	2610	23	295
Australia	-	-	-	-	-	-
Japan	644	123	-	522	-	-
New Zealand	-	-	-	-	-	-
<b>TOTAL NON-NATO OECD COUNTRIES</b>	<b>19780</b>	<b>391</b>	<b>1337</b>	<b>17516</b>	<b>404</b>	<b>2314</b>
<b>TOTAL OECD AREA</b>	<b>56482</b>	<b>4718</b>	<b>8620</b>	<b>54311</b>	<b>4883</b>	<b>12427</b>

**Source:** Tables II and III**Note:** Product equivalents have been obtained by converting the amount of crude oil to petroleum product by making a notional 7% reduction in the volume.**NATO UNCLASSIFIED**

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## N A T O U N C L A S S I F I E D

ANNEX to  
C-M(82)2TABLE II - OIL EXPORTS FROM EUROPEAN COMMUNIST COUNTRIES TO THE NATO AREA  
(x 1,000 tonnes)

	1979						1980					
	Crude + feedstock + NGL			Petroleum Products			Crude + feedstock + NGL			Petroleum Products		
	USSR	Romania	Others	USSR	Romania	Others	USSR	Romania	Others	USSR	Romania	Others
Belgium-Luxemburg(1)	902	-	-	1823	65	89	1683	-	38	1996	3	53
Denmark	1714	-	209	316	-	165	1183	-	390	113	20	320
France	5230	-	19	889	297	80	6821	368	35	1560	249	98
Federal Republic of Germany(2)	6121	326	263	3213	764	3021	3705	123	140	3195	897	3842
Italy	5934	-	526	449	-	555	6377	-	630	521	25	1825
Netherlands	769	-	5	4893	1684	1172	905	-	134	6524	979	824
United Kingdom	2157	-	34	736	-	30	290	30	-	915	54	21
Greece	962	-	-	119	439	762	894	82	-	377	909	1430
Iceland	-	-	-	365	-	-	-	-	-	358	-	-
Norway	692	-	-	126	-	17	173	-	12	31	-	110
Portugal	826	-	-	-	36	-	499	-	-	25	31	27
Turkey	-	-	-	175 <sup>(2)</sup>	351 <sup>(2)</sup>	409 <sup>(2)</sup>	-	-	-	193	583	280
Canada	-	-	-	-	-	-	-	-	-	-	-	-
USA	-	15	-	62	374	-	-	-	-	34	169	-
<b>TOTAL NATO</b>	<b>25307</b>	<b>341</b>	<b>1056</b>	<b>13166</b>	<b>4010</b>	<b>6300</b>	<b>22530</b>	<b>603</b>	<b>1379</b>	<b>15842</b>	<b>3919</b>	<b>8830</b>

(1) Provisional 1980 figures to be revised by the IEA.

(2) source: IEA, yearly hydrocarbon statistics.

Source: International Energy Agency, Quarterly Oil Statistics 1981/2, Paris.

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TABLE III - OIL EXPORTS FROM THE EUROPEAN COMMUNIST COUNTRIES TO NON-NATO OECD COUNTRIES  
(x 1,000 tonnes)

	1979						1980					
	Crude + feedstock + NGL			Petroleum Products:			Crude + feedstock + NGL			Petroleum Products		
	USSR	Romania	Others	USSR	Romania	Others	USSR	Romania	Others	USSR	Romania	Others
Ireland	155	-	-	217	-	-	-	-	-	176	-	-
Austria	1721	-	16	5	51	616	1502	11	99	7	58	833
Finland	7357	-	-	3095	-	-	6974	-	-	2728	5	16
Spain	837	-	-	43	33	8	1319	109	-	56	105	183
Sweden	1352	-	-	2950	178	513	547	-	-	1798	102	895
Switzerland	98	-	10	2114	6	176	261	25	65	2367	-	235
Australia	-	-	-	-	-	-	-	-	-	-	-	-
Japan	43	-	-	604	123	-	91	-	-	437	-	-
New Zealand	-	-	-	-	-	-	-	-	-	-	-	-
<u>TOTAL OECD NON-NATO</u>	<u>11563</u>	<u>-</u>	<u>26</u>	<u>9028</u>	<u>391</u>	<u>1313</u>	<u>10694</u>	<u>145</u>	<u>164</u>	<u>7569</u>	<u>270</u>	<u>2162</u>

Source: International Energy Agency, quarterly oil statistics, 1981/2, Paris.

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TABLE IV - TRADE BALANCES OF THE COMMUNIST COUNTRIES WITH THE  
OECD AREA

(millions of \$ FOB-FOB)(1)

COUNTRY	1978	1979	1980(3)
Soviet Union	- 2.657,9	- 526,8	+ 1.374,0
Poland	- 1.549,0	- 1.283,9	- 1.257,7
GDR(2)	- 522,0	- 970,6	- 281,0
Bulgaria	- 569,6	- 378,3	- 763,1
Czechoslovakia	- 311,8	- 210,0	+ 188,1
Hungary	- 1.227,5	- 624,4	- 635,6
Romania	- 831,5	- 733,5	- 668,1
Total Eastern Europe	- 5.011,4	- 4.200,7	- 3.417,4

- (1) Western imports from the Communist countries have been converted on an FOB base by applying a multiplication factor of 0.925 to the c.i.f statistics.
- (2) Including the balance of intra-German transactions.
- (3) Data recalculated on the basis of revised OECD statistics, which do not correspond exactly to the figures shown in AC/127-WP/639 (Table XI).

Sources: OECD, Foreign Trade Statistics, series A; DIW, Berlin.

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**TABLE V - MEDIUM-TERM(1) PUBLICISED SYNDICATED EUROCREDITS GRANTED TO THE COMMUNIST COUNTRIES**  
(millions of \$)

Country	Period	January - June 1978	July - Dec. 1978	January - June 1979	July - Dec. 1979	January - June 1980	July - Dec. 1980	January - May 1981
USSR		400,0	-	320,0	-	-	-	25,0
Bulgaria		149,0	90,0	120,0	289,9	-	-	-
Czechoslovakia		150,0	-	200,0	250,0	-	475,0	-
GDR		562,0	220,0	436,0	200,0	176,0	100,0	327,0
Hungary		400,0	115,0	300,0	250,0	250,0	300,0	550,0
Poland		304,0	70,0	642,0	177,1	11,8	326,4	-
Romania		225,3	500,0	180,0	100,0	458,0	-	285,0
International Investment Bank		-	500,0	175,0	700,0	-	-	-

(1) Publicised credit commitments of over one year.

Sources: 1978-1980 - World Bank - ("Borrowing in International Capital Markets");  
1981 - OECD ("Financial Statistics").

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