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ECONOMIC COMMITTEE

OFFICIALLY BACKED EXPORT CREDITS GRANTED BY NATO
COUNTRIES TO COMMUNIST COUNTRIES AND BORROWING
BY THE LATTER FROM THE PRIVATE CAPITAL MARKETS

Note by the Economics Directorate

This document contains a set of tables giving: (i) revised data on the officially backed export credits granted in 1977 by NATO countries; (ii) a preliminary assessment of the proportion of outstanding committed export credits actually used (drawings) at 31st December, 1977; (iii) the available data relating to the officially backed export credits granted by members of the Alliance during the first half of 1978; (iv) details of the financial credits granted by Western banks to Communist countries in 1978.

(i) Revision of the 1977 data (Tables I, II, III, IV, V and VI)

2. Since the Economic Committee's report on officially backed export credits granted in 1977 by NATO countries to Communist countries(1), one delegation has provided the Secretariat with additional or revised data. These have been included in Tables I to VI, which therefore represent the latest available statistics.

3. It will be recalled that the export credits recorded in the Economic Committee's documents normally include all the private export credits guaranteed by a government agency as well as any export credits granted directly by agencies of the public sector. The data relating to the new credits granted (Table I) and to outstanding credits (Table II) concern commitments and include interest (except for some of the credits granted directly by public sector bodies). The repayments schedule (Tables V and VI) refers to the outstanding credits indicated in Table II.

(ii) Factors for assessing the proportion of outstanding committed credits actually used (Table VII)

4. One of the reasons why it is impossible to make an accurate assessment of the Eastern countries' indebtedness as regards export credits is the lack of information on the outstanding debt in terms of credits actually used (drawn) and not merely committed. In an

(1) C-M(78)63, circulated on 6th November, 1978

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effort to overcome this difficulty, the Economics Directorate asked delegations to provide, where possible, details of the aggregate amount of credits which, at 31st December, 1977 had been drawn and not yet repaid.

5. As can be seen from Table VII, for most of the Eastern countries the replies received apply to only a relatively small proportion of the total value of outstanding commitments and consequently no very meaningful conclusion can be drawn. The most significant result concerns Poland: of two-thirds of the outstanding credits granted by Allied countries as a whole, only half (55%) had been drawn at 31st December, 1977. For the USSR, the percentage appears higher (65%) but less than half of the outstanding commitments (43%) could be taken into account. The high rates for Bulgaria and Czechoslovakia are not very significant since the calculations were based on only a small proportion of the total credits.

(iii) Officially backed export credits granted by NATO countries to Communist countries during the first half of 1978 (Table IX)

6. Table IX contains the available data regarding officially backed export credits granted by countries of the Alliance. The figures are incomplete as two delegations have not yet provided information and the data from a third are only partial. With the possible exception of Romania (and Vietnam), the new credit commitments would appear to be lower than those for 1977. On the other hand, drawings could be comparable.

(iv) Financial credits granted by Western banks (Tables X, XI, and XII)

7. Table X shows that at 30th September, 1978 the net indebtedness of the European members of COMECON to banks notifying the BIS came to \$36.6 milliard, i.e. an increase of \$6.7 milliard over the end-1977 figure. Of all the Communist countries, Poland has the highest debt (\$10.5 milliard as against \$8.7 milliard at 31st December, 1977). The net indebtedness of the USSR (and the two COMECON banks) rose by \$1.0 milliard during the second quarter and then levelled off (reaching \$8.0 milliard) at the end of September. The sharp rise of Hungary's indebtedness should be noted: from \$3.7 milliard at the end of 1977 to \$5.6 milliard at 30th September, 1978. On the other hand, Czechoslovakia's net debt (\$1.2 milliard at 30th September, 1978), the lowest for the European Communist countries, rose by only \$0.1 milliard between January and September, 1978.

8. In 1978, according to World Bank statistics, medium-term syndicated Eurocredits contracted by the USSR, Eastern Europe and COMECON banks totalled \$3.2 milliard, i.e. \$0.5 milliard more than in the previous year (Table XII). The GDR was the largest single

borrower (\$0.8 milliard), followed by Hungary and the International Investment Bank (\$0.5 milliard each). The Soviet Union, which had withdrawn from the market in 1977, last year borrowed \$400 millions, largely, it would seem, in order to refinance previously contracted credits on more favourable terms.

TABLE I - NEW OFFICIALLY-BACKED NATO COUNTRY EXPORT CREDITS TO
THE COMMUNIST COUNTRIES (COMMITMENTS) (*)
(US \$ millions at current prices)

Beneficiaries	Total new credits			Credits of over 5 years (1)		
	1975(1)	1976(3)	1977	1975	1976	1977
Soviet Union	2,687.4	3,521.0	2,807.7	2,290.9	2,901.2	1,907.5
Poland	905.5	1,850.3	2,682.6	656.4	1,468.5	1,545.4
GDR	513.9	655.0	565.5	299.5	498.9	368.6
Bulgaria	216.3	148.6	152.6	130.1	129.7	115.2
Czechoslovakia	287.1	144.4	176.7	185.4	65.7	28.4
Hungary	74.0	19.3	30.4	29.2	-	-
Rumania	328.3	210.3	226.5	146.2	53.0	77.0
Total Eastern Europe	2,325.1	3,027.9	3,834.3	1,446.8	2,215.8	2,134.6
China	610.9	163.3	389.6	-	-	-
North Korea	56.2	5.0	0.6	-	-	-
Cuba	80.1	280.2	87.5	28.3	252.7	73.8
Vietnam	7.2	97.6	46.9	7.2	56.9	26.4
Total Communist countries(2)	5,766.9	7,095.0	7,166.6	3,773.2	5,426.6	4,142.3

- Notes: (1) Excluding credits granted by the United Kingdom
 (2) No delegation has reported credits to Albania or to Mongolia
 (3) Excluding credits granted by the United Kingdom during the first half of the year
 (*) Credits of over 6 months.

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TABLE II - OUTSTANDING OFFICIALLY-BACKED NATO COUNTRY EXPORT CREDITS
(COMMITMENTS) TO THE COMMUNIST COUNTRIES (AS AT 31ST DECEMBER)

COUNTRY	1975		1976		1977	
	\$ millions at current prices	% variation over 1974	\$ millions at current prices	% variation over 1975	\$ millions at current prices	% variation over 1976
Soviet Union	8,332.6	+24.1	10,179.5	+22.2	11,862.1	+16.5
Poland	2,913.6	+28.5	4,504.2	+54.6	6,959.6	+54.5
GDR	736.8	+70.8	1,185.2	+60.9	1,657.9	+39.9
Bulgaria	389.7	+57.5	428.3	+9.9	602.8	+40.7
Czechoslovakia	460.4	+53.7	517.7	+12.4	635.3	+22.7
Hungary	186.5	+29.9	162.8	-12.7	117.3	-27.9
Rumania	1,096.9	+5.3	913.9	-16.7	981.5	+7.4
Total Eastern Europe	5,783.9	+30.5	7,712.1	+33.3	10,954.4	+42.0
China	974.5	+31.9	710.3	-27.1	639.6	-9.9
North Korea	294.4	-9.0	234.1	-20.5	218.3	-6.7
Cuba	292.7	-3.9	546.4	+86.7	604.6	+10.6
Vietnam	10.0	-	62.4	+524.0	109.0	+74.7
Total Communist countries	15,688.1	+25.4	19,444.8	+23.9	24,388.0	+25.4

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TABLE III - PROPORTION OF OVER 5-YEAR CREDITS IN
OUTSTANDING OFFICIALLY-BACKED EXPORT CREDITS TO
COMMUNIST COUNTRIES

(in %)

COUNTRY	1975(1)	1976(1)(2)	1977(2)
Soviet Union	79.9	79.7	84.5
Poland	72.7	75.1	81.8
GDR	51.8	66.1	71.3
Bulgaria	71.6	79.1	71.7
Czechoslovakia	56.2	57.7	56.1
Hungary	45.8	40.6	68.2
Rumania	47.7	35.2	48.4
Total Eastern Europe	62.2	67.3	74.9
China	-	-	-
North Korea	-	1.1	-
Cuba	52.5	71.9	85.6
Vietnam	100.0	95.0	85.9
Total Communist countries	66.7	70.9	75.6

- (1) Excluding credits granted by the United Kingdom
(2) Excluding credits granted by the United States

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TABLE IV - DRAWINGS FROM OFFICIALLY-BACKED CREDITS GRANTED
BY NATO COUNTRIES AND SERVICE PAYMENTS (PRINCIPAL PLUS INTEREST)
BY COMMUNIST COUNTRIES IN RESPECT OF THIS TYPE OF CREDIT (1977)
($\$$ millions at current prices)

COUNTRIES	Drawings (1)	Service Payments
Soviet Union	1,960.4	1,357.4
Poland	1,725.3	786.3
GDR	369.5	189.8
Bulgaria	101.1	80.4
Czechoslovakia	125.6	110.5
Hungary	39.4	47.0
Rumania	228.6	265.5
Total Eastern Europe	2,589.5	1,479.5
China	434.4	507.2
North Korea	5.0	15.2
Cuba	149.6	59.0
Vietnam	45.2	16.9
Total Communist countries	5,184.1	3,435.2

(1) Excluding drawings from credits granted by Belgium

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TABLE V - DEBT SERVICING SCHEDULE (*)
(\$ millions at current prices)

COUNTRY	1978	1979	1980	1981	1982	1983	1984	1985 and beyond	not specified and adjustm.
Soviet Union	1,850.4	1,800.0	1,772.4	1,573.6	1,444.3	992.1	756.6	1,319.1	353.6
Poland	1,248.6	966.4	910.8	860.9	587.4	480.1	415.4	668.5	821.5
GDR	199.5	179.0	198.7	219.9	206.1	172.5	137.0	345.4	- 0.2
Bulgaria	110.7	104.9	102.5	84.8	67.7	56.2	44.5	31.1	0.4
Czechoslovakia	132.0	127.0	106.0	88.7	69.9	55.1	31.5	22.8	2.3
Hungary (1)	18.5	15.7	13.0	10.4	4.2	3.0	1.1	-	51.4
Rumania (1)	232.7	174.2	112.4	75.1	51.9	28.7	15.6	8.8	282.1
Total Eastern Europe	1,942.0	1,567.2	1,443.4	1,339.8	987.2	795.6	645.1	1,076.6	1 157.5
China	240.5	100.9	224.1	67.5	4.4	2.1	-	-	0.1
North Korea	55.6	49.8	28.1	13.2	6.2	-	-	-	65.5
Cuba	100.0	91.9	81.7	71.5	47.9	40.1	36.0	62.2	73.3
Vietnam	17.2	16.1	15.1	11.5	9.5	8.3	7.8	8.9	14.6

(*) Comment: The repayment schedule for some credits granted by the United States is not known; the credits in question which were outstanding at the end of 1977 have therefore been added to the repayments without a reference to the year.

(1) Excluding repayments to the United Kingdom; the end-1977 outstanding United Kingdom credits have been added to the amount in the "not specified and adjustment" column.

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TABLE VI - DEBT SERVICING SCHEDULE (*): PERCENTAGE OF TOTAL REPAYMENTS SCHEDULED EACH YEAR (Situation at 31st December 1977)

COUNTRY	Repayments scheduled for										not specified	TOTAL
	1978	1979	1980	1981	1982	1983	1984	1985 and beyond				
Soviet Union	15,6	15,2	14,9	13,3	12,2	8,4	6,4	11,1	3,0	100		
Poland	17,9	13,9	13,1	12,4	8,4	6,9	6,0	9,6	11,8	100		
GDR	12,0	10,8	12,0	13,3	12,4	10,4	8,3	20,8	-	100		
Bulgaria	18,4	17,4	17,0	14,1	11,2	9,3	7,4	5,2	0,1	100		
Czechoslovakia	20,8	20,0	16,7	14,0	11,0	8,7	5,0	3,6	0,4	100		
Hungary (1)	15,8	13,4	11,1	8,9	3,6	2,6	0,9	-	43,8	100		
Rumania (1)	23,7	17,7	11,4	7,6	5,3	2,9	1,6	0,9	28,7	100		
Total Eastern Europe	17,7	14,3	13,2	12,2	9,0	7,3	5,9	9,8	10,6	100		
China	37,6	15,8	35,0	10,5	0,7	0,3	-	-	-	100		
North Korea	25,5	22,8	12,9	6,0	2,8	-	-	-	30,0	100		
Cuba	16,5	15,2	13,5	11,8	7,9	6,6	5,9	10,3	12,1	100		
Vietnam	15,8	14,8	13,8	10,5	8,7	7,6	7,1	8,2	13,4	100		

(*) See comment below Table V

(1) See footnote to Table V

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TABLE VII

FACTORS FOR ASSESSING THE PROPORTION OF OUTSTANDING COMMITTED
CREDITS ACTUALLY DRAWN

(situation at 31st December 1977)

COUNTRY	% of total committed credits (c.f. Table II) taken into account	Proportion (as a %) of outstanding committed credits drawn
Soviet Union	43	65
Poland	67	55
GDR	25	68
Bulgaria	39	73
Czechoslovakia	31	85
Hungary	-	-
Rumania	-	-
Total Eastern Europe		
China	43	83
North Korea	-	-
Cuba	38	85
Vietnam	98	25

TABLE VIII - TRADE DEFICIT OF THE EUROPEAN COMMUNIST COUNTRIES AND CHINA VIS-A-VIS THE OECD COUNTRIES
($\$$ million FOB-FOB) (1)

COUNTRY	1977	1978 (3)
Soviet Union	2 184	3 159 (4)
Poland	1 419	1 475
GDR (2)	476	698
Bulgaria	433	574
Czechoslovakia	337	355
Hungary	771	1 256
Rumania	553	898
Total Eastern Europe	3 989	5 256
China	1 205	3 382

- (1) Western imports from Communist countries were converted on an FOB basis by applying a multiplying factor of 0.925 to the CIF figures
- (2) Including the balance of intra-German transactions.
- (3) Provisional data
- (4) Imports of non-monetary gold of the United States (\$286.6 million) have been excluded for the sake of consistency with the figures for 1977 (which did not include this type of transaction)

Sources: OECD Foreign Trade Statistics, Series A
US Department of Commerce
Wirtschaft und Statistik

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TABLE IX: OFFICIALLY-BACKED EXPORT CREDITS GRANTED BY NATO COUNTRIES TO COMMUNIST COUNTRIES DURING THE FIRST HALF OF 1978 - PROVISIONAL DATA

(\$ millions at current prices)

COUNTRY	New credit commitments (1)	Drawings (2)	Repayments (3) (principal + interest)	Outstanding commitments at 30.6.78 (4)
Soviet Union	412.2	814.2	602.3	11,622.3
Poland	804.8	646.2	541.6	6,979.9
GDR	58.6	185.4	88.3	1,648.6
Bulgaria	9.9	36.4	42.9	579.3
Czechoslovakia	39.4	59.6	52.6	614.2
Hungary	11.1	4.8	7.6	125.3
Rumania	125.0	86.4	105.1	993.3
Total Eastern Europe	1,048.8	1,018.8	838.1	10,940.6
China	21.0	36.9	50.3	575.0
North Korea	1.0	-	1.4	211.6
Cuba	28.1	32.7	30.1	597.9
Vietnam	86.6	35.4	16.4	168.2

(1) Excluding credit commitments by Italy and the United Kingdom
 (2) Excluding drawings on credits granted by Denmark, Belgium, the United Kingdom and Italy
 (3) Excluding repayments in respect of credits granted by Denmark, Italy and the United Kingdom
 (4) The situation indicated with respect to credits granted by Italy, the United Kingdom and Denmark is that prevailing on 31.12.77

TABLE X: FOREIGN POSITIONS IN NATIONAL AND FOREIGN CURRENCIES OF BANKS NOTIFYING THE BIS (1) AS WELL AS OF THE BRANCHES OF UNITED STATES BANKS IN THE CARIBBEAN AND THE FAR EAST
(Quarterly status from January to September 1978 - \$ billions)

COUNTRY	Banks' claims				Banks' liabilities				Banks' net positions			
	31.12.77	30.3.78	30.6.78	30.9.78	31.12.77	30.3.78	30.6.78	30.9.78	31.12.77	30.3.78	30.6.78	30.9.78
Soviet Union (2)	11,6	11,4	12,2	12,8	4,4	4,3	4,1	4,8	7,2	7,1	8,1	8,0
Bulgaria	2,6	2,9	2,9	3,2	0,5	0,4	0,5	0,7	2,1	2,5	2,4	2,5
Czechoslovakia	1,5	1,7	1,8	1,9	0,4	0,4	0,5	0,7	1,1	1,3	1,3	1,2
GDR (3)	4,9	5,2	5,3	5,8	0,9	1,0	1,0	1,2	4,0	4,2	4,3	4,6
Hungary	4,8	5,0	5,4	6,1	1,1	0,8	0,8	0,5	3,7	4,2	4,6	5,6
Poland	9,1	9,8	10,2	11,2	0,4	0,5	0,7	0,7	8,7	9,3	9,5	10,5
Rumania	1,4	1,6	2,0	2,2	0,2	0,1	0,2	0,1	1,2	1,5	1,8	2,1
Residual (4)	2,4	2,6	2,3	2,6	0,5	0,4	0,4	0,5	1,9	2,2	1,9	2,1
Total USSR + Eastern Europe	38,3	40,2	42,1	45,8	8,4	7,9	8,2	9,2	29,9	32,3	33,9	36,6
China	0,5	0,8	0,8	1,0	2,4	2,6	3,2	3,4	-1,9	-1,8	-2,4	-2,4
North Korea	0,5	0,6	0,5	0,5	-	0,1	0,1	0,1	0,5	0,5	0,4	0,4
Cuba	1,4	1,5	1,5	1,7	0,3	0,2	0,2	0,2	1,1	1,3	1,3	1,5
Vietnam	0,1	0,2	0,2	0,2	0,1	0,1	0,1	0,1	-	0,1	0,1	0,1

Source: BIS, Quarterly Reports

(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 Federal Republic of Germany banks vis-a-vis the GDR

(4) In the case of banks located in Japan and Switzerland, transactions cannot always be broken down separately by Eastern countries and are entered on a residual basis.

TABLE XI: STATUS OF GROSS FOREIGN CURRENCY CLAIMS OF EUROPEAN BANKS NOTIFYING THE BIS ON EUROPEAN COMMUNIST COUNTRIES (USSR + EASTERN EUROPE)

STATUS AS AT

§ milliards

31.12.77.		25.7
30.3.78.		27.0
30.6.78.		28.5
30.9.78.		31.2

Source: BIS

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(continued on following)

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TABLEAU XII : MEDIUM TERM(1) PUBLICISED SYNDICATED EUROCREDITS TO THE COMMUNIST COUNTRIES

(millions of dollars)

Country	Jan-June 1977	July-Dec. 1977	Jan-June 1978	July-Dec. 1978	TOTAL 1977	TOTAL 1978
USSR	-	-	400,0	-	-	400,0
Poland	19,0	-	304,0	70,0	19,0	374,0
GDR	150,0	542,0	562,0	220,0	692,0	782,0
Bulgaria	20,0	225,0	149,0	90,0	245,0	239,0
Czechoslovakia	-	150,0	150,0	-	150,0	150,0
Hungary	150,0	200,0	400,0	115,0	350,0	515,0
Romania	125,0	-	225,3	-	125,0	225,3
International In- vestment Bank	500,0	600,0	-	500,0	1,100,0	500,0
China	-	-	-	-	-	-
North Korea	-	-	-	-	-	-
Cuba	10,0	-	58,4	-	10,0	58,4
Vietnam	12,5	61,6	-	42,7	74,1	42,7

(1) Credit commitments of more than one year

Source : World Bank: "Borrowing in International Capital Markets".

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TABLEAU XIII : BOND OFFERINGS BY COMMUNIST COUNTRIES

(\$ millions)

Country	1974	1975	1976	1977	1978	Total 1974-78
Hungary	40.0	100.5	25.0	174.6	-	340.1
Poland	-	-	47.0	80.9	30.0	157.9
Romania	-	100.0	-	-	-	100.0

Source : World Bank ~~and~~ "Borrowing in International Capital Markets"

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