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SUB-COMMITTEE ON SOVIET ECONOMIC POLICY

INTRA-COMECON AID AND CREDITS

Note by the German Delegation

Under the heading "International Socialist Credit", the journal of the State Bank of the USSR, "Dengi i kredit", published in its edition of October 1964 an article by N. Mitrofamow which deals, among other subjects, with the credit policy within the Communist Bloc without, however, showing complete figures.

2. According to this article, the granting of "international socialist credits" between Communist Bloc countries primarily serves the purpose of encouraging a rapid economic development in the receiving countries, of improving the standard of living and of bringing about our economic structure oriented towards the "socialist division of work".

3. Credits within the Communist Bloc are granted on very advantageous terms, i.e. at an annual interest rate of 1 to 2 or 2½ per cent, with terms of at least ten years. In some cases credits are granted without any interest at all. Amortisation and interest payments are made either by traditional exports or out of the production of the factories which were built with the credits. Thus, the repayment of the \$300 million granted by the Soviet Union to China in 1950 on a 10-year basis (1954-1963, 1 per cent interest per annum) only started in 1954 with the delivery of raw materials and agricultural products. Similarly, Bulgaria will not start repayment of the credit of 810 million rubles granted by the Soviet Union (also on a 10-year basis) for the construction of the Kremikowsk metallurgical combine and the Mariza Wostok power station until 1966 when these plants will start operating.

4. The most frequent credits within the Communist Bloc are commercial credits which are to stimulate the exchange of goods and to lead to a balance between exports and imports. Typical of this kind of credit are the \$450 million granted by the Soviet Union to Poland (between 1948 and 1956) which enabled the Polish industry to buy various kinds of equipment.

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5. For some years, joint investment projects financed by the COMECON members for the establishment of industrial and mining facilities for joint use have gained importance. As a rule, the equipment for the project is provided by the creditor country, which acquires rights of exploitation and delivery in return. An example of this are the 112.5 million rubles credited by Czechoslovakia to Poland in 1957 for the common exploitation of the copper ore deposits found in the neighbourhood of Glogau.

6. Foreign currency credits are rare within the East Bloc. The Soviet Union granted ~~such a~~ credit in the amount of \$27.8 million to Poland in 1947 and another of 28.8 million rubles to Czechoslovakia in 1948 to help these two countries to overcome their difficulties in trading with the West.

7. The article states furthermore that the Soviet Union, being the economically strongest country of the Communist Bloc, granted approximately 8,000 million rubles of long-term credits to other East Bloc countries between 1945 and the end of 1964. At the top of the list of receiving countries are Communist China and Poland. China was granted 11 long-term credits totalling 1,816 million rubles. No total sum is given for the second highest beneficiary, Poland. Between 1948 and 1962, Bulgaria received Soviet loans amounting to a total of 923 million rubles, representing almost 90 per cent of the total loans which this country has been able to obtain from abroad since the end of the Second World War. During this period, Soviet credits covered one-fourth of all Bulgarian investments including the costs for the installation of 70 industrial plants. Soviet credits of unknown size have been granted to Rumania, Hungary, the Soviet-occupied Zone of Germany, Czechoslovakia, Albania, Mongolia, North Korea and North Vietnam. Almost all of these credits were credits in the form of goods.

8. The European countries of the Soviet Bloc are also creditors to other Communist Bloc countries. Czechoslovakia, which has up to now given loans to Bulgaria, Rumania, Hungary, Poland, Albania, Mongolia, North Korea and North Vietnam, should be mentioned first. The Soviet Zone of Germany granted credits to Poland and Hungary, while Poland has given credits of its own to Rumania and Albania. Rumania granted credits to its neighbour, Hungary, and Bulgaria to North Korea and Albania.

9. These credits were not only intended to stimulate the exchange of goods between these countries, but - especially during recent years - they served the purpose of accelerating the completion of large plants which are of common interest to several countries. Thus, in 1956, Poland received a credit of 22.5 million rubles from Czechoslovakia for the exploitation of sulphur deposits; an additional 90 million rubles followed in 1957 for the construction of coal mines. The Soviet Zone of Germany granted 56.2 million rubles for the same purpose.

10. Moreover, Czechoslovakia participated with an undisclosed amount of credits, in the mining of copper ore near Medet in Bulgaria and the expansion of potash fertiliser production in the Soviet Zone of Germany. Rumania built a plant for the production of cellulose, paper and caustic soda on the basis of a reed cane processing system in the Danube delta near Braila. This project was supported with the following credits: the Soviet Zone of Germany (24.75 million rubles) supplied the equipment for the production of cellulose, paper and caustic soda, Czechoslovakia (6.75 million rubles) delivered equipment for the cellulose, heat and power production as well as for the regeneration of sodium salts, and Poland (2.25 million rubles) made available the port and depot installations and the equipment for the production of cardboard. The output of this joint enterprise is to benefit all participating countries.

11. The USSR is not only the most important creditor within the Communist Bloc, but has also become in recent times a borrower from its partners. In 1963, for example, it received a credit of 70 million rubles from Poland as a contribution to the expansion of potash salt exploitation in White Russia. This credit is to be amortised by deliveries from the current production of these installations.

12. Under a multilateral agreement, the Soviet Union received an undisclosed amount of credits from Poland, the Soviet Zone of Germany, Czechoslovakia, Hungary and Bulgaria for phosphate mining in the Kingisepp area. The equipment and materials supplied by the creditors will be paid back by Soviet deliveries of phosphorus, phosphate fertiliser and other phosphate products.

13. Worth mentioning is also Czechoslovakia's participation in the iron and metal ore mining industries in the USSR. The equipment supplied on credit (amount unknown) will be paid back to Czechoslovakia by shipments of ore.

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