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Financing US Exports to the USSR

Prior to the May 1972 summit meeting, US exports to the USSR generally involved cash payments with some short-term credits. An examination of the short-term position of US banks vis-a-vis the USSR provides some insights. Soviet claims on US banks are generally short-term deposits, the size and fluctuation of which indicate that they exist primarily to satisfy short-term (i.e., cash) payments for Soviet imports from the United States. Claims of US banks on the USSR are primarily loans and, because of US bankers' general wariness of the Johnson Act, probably are tied to US exports. Until the time of Secretary of Commerce Stans' visit to Moscow in November 1971, these short-term credits, rolled over on a monthly basis, never amounted to more than \$4 million. With the sudden surge in US exports to the USSR in 1972 and 1973, the USSR apparently made a roughly proportionate increase in the use of short-term facilities that were made increasingly available by US banks. In the last two years the USSR was rolling over roughly \$50 million each month on average. Claims against the USSR by non-banking institutions brought US short-term facilities made available to the USSR by mid-1973 to as much as \$129 million.

According to information derived from US sources, the first instance of US credits of more than one year's duration were the

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utilization of the 3-year Commodity Credit Corporation (CCC) credits in support of US grain exports in 1972. In that year the USSR used roughly \$100 million in CCC credits to finance grain imports from the United States that totaled \$369 million. The balance of the grain deliveries, as well as other US exports to the USSR, were either paid for in cash or financed by short-term credits.

The last half of 1972 witnessed the availability for the first time of long-term US credits to the USSR. In August 1972 a consortium of US banks provided 7-year credits to finance the export of International Harvester crawler tractors and equipment valued at \$40 million. In mid-October 1972, another consortium was organized that provided 8-year credits to finance the export of caterpillar tractors valued at \$68 million. Days later, the US Eximbank opened its window to Moscow and made the first of several preliminary commitments to help finance US exports to the USSR. Apparently, however, no deliveries involving long-term finance occurred until 1973, when US banks reported long-term claims of \$129 million against the USSR by the end of the year. Together with known Eximbank disbursements and long-term loans by non-banking institutions, total long-term financing from US sources to the USSR amounted to about \$158 million and covered an estimated 80% of US machinery and equipment exports to the USSR (see tabulation below).

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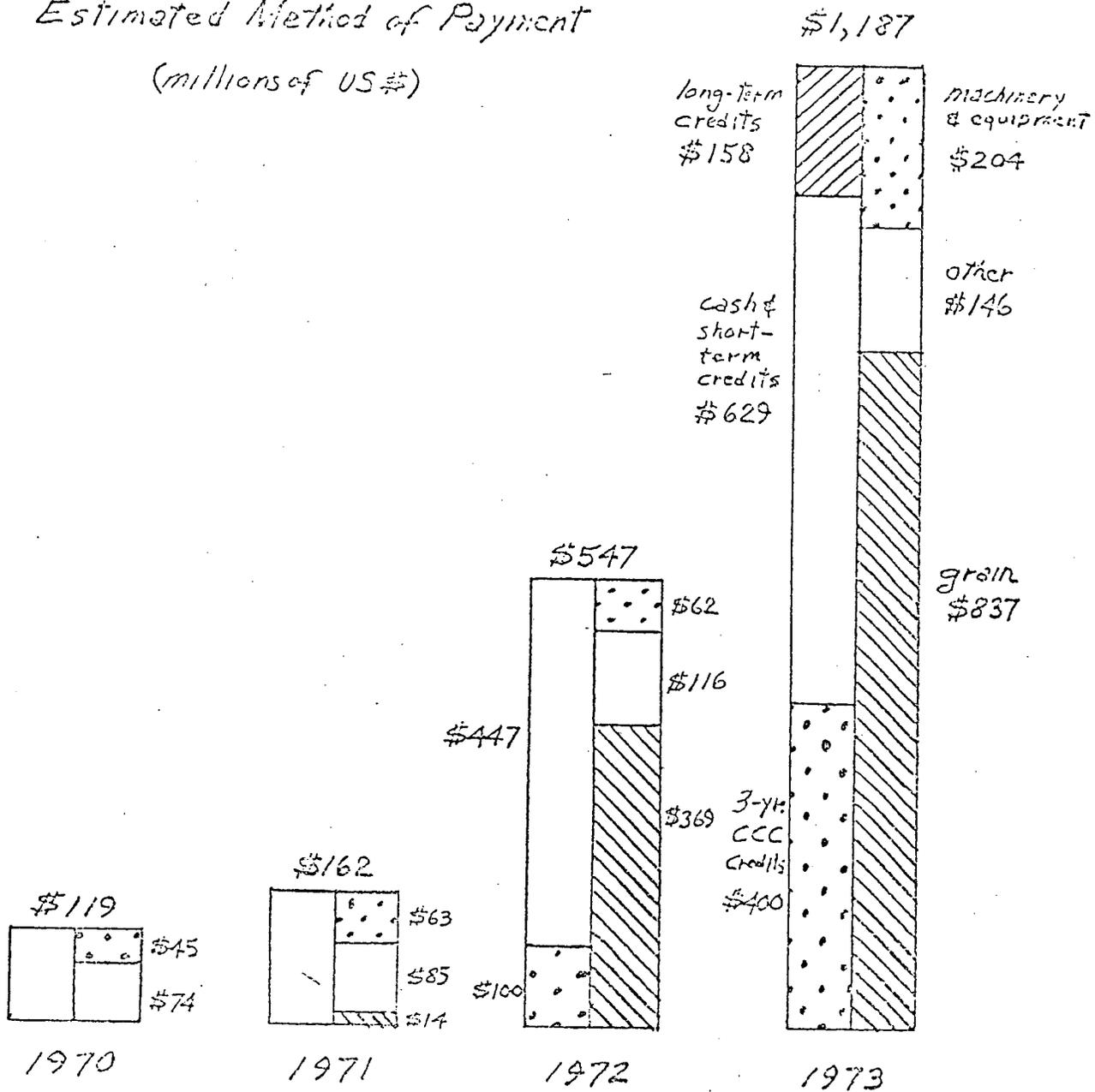
<u>Type of Financing</u>	<u>Commodities Financed</u>
Direct Eximbank credits of \$14 million and matching private credits	Pumps for oil wells and oil fields valued at \$18 million and metal cutting machine tools for the Kama River Truck plant valued at \$10 million
Bank of America consortium loan for about \$61 million, \$27 million of which was apparently drawn down	Caterpillar track-laying tractors valued at \$27 million
Other private credits totaling \$103 million which may include long-term credits to cover International Harvester deal.	Other machinery and equipment deliveries valued at \$103 million.

Roughly another \$400 million in CCC credits were applied toward the financing of \$837 million in US grain exports to the Soviet Union in 1973. Cash payments and short-term credits covered the remaining exports of grain, machinery and equipment, and other US exports to the USSR in 1973 (see chart).

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US Exports To The USSR
By Major Commodity and
Estimated Method of Payment
(millions of US\$)



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