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USSR: Maturity Stretch-out and
Credit Restrictions

If Western restrictions on credit disbursements were imposed, the Soviet Union could try to avoid their full impact by seeking a longer pay back period. This would reduce the annual obligation of the Soviets for future principal repayments, leaving more current earnings and new credits for imports. At the same time, since the debt is paid off at a slower pace, debt is higher than otherwise and therefore also interest payments.

We used a debt accumulation and balance-of-payments model to estimate the possible impacts of a stretch-out in maturities. As a reference, we used a Flat Lending case in which the credit restrictions take the form of no growth in disbursements of either government-backed or commercial credits (except for disbursements associated with the gas export pipeline). In this projection, the assumed maturity on government-backed credits is 6 years and on commercial credits 4 years, which roughly match the terms of recent lending to the USSR.

The first case examined is a Moderate Increase case, in which the maturities on government-backed and commercial credits are assumed to return to the levels of the 1970s--8 years and 5 years respectively. This would give Moscow about 1 percent more import capacity in the mid-1980s (see Table 1). By 1990, however, interest payments and debt are sufficiently higher to offset the advantage of lower repayments.

We also looked at an Extreme Increase in maturities case. Here maturities were increased to 15 and 10 years on government-backed credits and commercial credits respectively. Moscow would gain about 5 percent in import capacity in mid-decade, but again the net advantage disappears as 1990 is approached.

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Table 1
Estimated Impacts of Maturity Stretch-Out

<u>Billion Nominal Dollars</u>	<u>Year</u>	<u>Flat Lending Case</u>	<u>Impacts Under:</u>	
			<u>Moderate Increase</u>	<u>Extreme Increase</u>
Imports	1985	33.8	+0.4	+1.7
	1990	43.8	0	-0.2
Repayments of principal	1985	5.1	-0.4	-2.2
	1990	5.6	-0.3	-1.2
Interest payments	1985	2.7	0	+0.4
	1990	2.0	+0.3	+1.4
Debt	1985	28.9	+0.6	+5.3
	1990	22.6	+3.5	+14.7
<u>Percent</u>				
Debt-service ratio	1985	20.2	-1.0	-4.5
	1990	14.7	0	+0.3

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