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Note: Numbers in parentheses indicate the maximum number of characters and blanks to be inserted in a line—i.e., (16) means no more than 16 spaces.

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Current Soviet Indebtedness and the Future
Availability of Credits from Western Europe and Japan

Soviet outstanding medium and long-term debt to the West is estimated at \$4.2 billion at the end of 1974. It will grow steadily in the near future given the recent growth in Soviet orders from the West and the willingness of Western Europe and Japan to support their sales to the USSR with long-term credits. Western credits to the USSR generally fall into two categories: general lines of credit extended for a specific period of time to cover a broad range of capital goods sales and credits or credit lines granted on a case-by-case or project basis.

General Lines of Credit

France

The Franco-Soviet credit agreement signed in December 1974 provided a \$2.8 billion line of credit valid for five years. This credit line is similar to the one granted for the 1970-1974 period. Judging from past experience, the USSR can expect additional credits from France if the Soviets exhaust the \$2.8 billion line before 1979.

United Kingdom

In February 1975 the United Kingdom agreed to provide the USSR a \$2.3 billion line of credit over a five-year period with interest rates of 7.2% and 7.5% and with repayment over as many as 8 1/2 years. The interest rate and repayment period are dependent on the size of the contract.

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Canada

On 9 May 1975, Canada announced an agreement with the USSR whereby Canada will make available up to \$500 million Canadian to finance Canadian exports to the USSR. All of the credit is to be utilized within two years.

Case-by-Case Basis

While Italy, Japan, and West Germany do not provide the USSR with general lines of credit, they do finance a major portion of capital goods purchased by the USSR. The USSR has received substantial credits from these countries in recent months. The amount of credit extended in the future will be dependent on the signing of specific contracts. There does not appear to be any discernible limit to the willingness of any of these three nations to continue their credit support, although the ability of Italy to continue to do so is questionable.

Italy

Italy has recently refused Soviet requests for a general line of credit of the type recently provided by France and the United Kingdom. Since the beginning of the year, however, the Italian government has agreed to extend over \$750 million in long-term credits at subsidized rates to cover Soviet purchases of large-diameter pipes and chemical plants. The Soviets are now in the process of negotiating sizable capital goods purchases from Italian firms and additional credits will probably be advanced over the next few years on a case-by-case basis.

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West Germany

The West German government has refused to subsidize credits to the USSR and has also refused to support buyers credits of any type to the USSR. The government, however, does provide risk insurance on export credits and supports a large consortium of West German banks which together are able to finance substantial amounts of West German exports to the USSR. Late last year, for example, Soviet purchases of \$700 million in large diameter pipe and \$400 million in large trucks were financed by long-term credits.

Japan

Japanese credits are available to the USSR only on a case-by-case basis, and are subsidized by low-interest funds from Japan's Export-Import Bank. In 1974, Japan granted the USSR a \$950 million line of credit to finance the joint development of Siberian forestry and coal reserves. In April 1975, Japan granted a second buyers credit to cover the sale of \$223 million in ammonia plants.

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