ft to the NEWS

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LOANS TO THE SOVIET BLOC

If the United States cannot afford the new B-1 bomber to replace our 15-year-old B-52s, nor afford any more Minuteman missiles or Poseidon submarines, how can the Soviet Union afford to build more new bombers, missiles, and submarines, than the United States?

The answer is that the United States and other Western nations have loaned the U.S.S.R. and six Soviet satellites more than $49 billion since 1970. The money that these Communist countries would have had to spend for food and factories goes instead for huge armies, navies and weapons.

The Soviet Union and its satellites have annual trade deficits, and they get larger every year. In 1973 the Soviet bloc trade deficit was estimated at $3.5 billion. By 1976 it had risen to almost $10 billion. This trade deficit has been financed by loans from the West: supplier credits, government credits, and issues on the Western money and capital markets.

Bankers and trade officials are worried not only about the size of these deficits but about the way they have been accelerating. New loans have recently been running at the rate of $1 billion per month. Professor Richard Portes of London University calculates that, if the present rate of borrowing continues through 1980, the cumulative Soviet debt will stand at $100 billion.

Financial experts usually caution that it is risky to lend to a country whose existing debt requires 18 to 20 percent of its hard-currency earnings to service. Debt servicing already requires 26 percent of the Soviet Union's hard-currency export earnings and 30 percent of Poland's.

There are some indications that Western banks are becoming apprehensive about making further largescale loans. They have discovered, however, that the Communists are uncooperative in providing the detailed credit information that banks customarily demand from American borrowers.

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The Soviets are now trying to get Western creditors to take "barter" agreements, or agreements to take payment in the form of future production, or even merchandise that the Communist nations can't sell to anyone else. East Germany and Poland are trying to pay 40 percent of their import bills with this barter-type approach.

One trouble with this is that Communist-produced goods often have to be dumped at cut-rate prices. This causes both losses and vigorous protests from businesses and labor unions in West European countries where the merchandise is dumped.

The Federal Government, as a result of our State Department's policy of detente, has encouraged loans to Communist countries. There is a big difference, however, between ordinary commercial loans and loans to Communist countries. Loans to private corporations and to individuals can be secured by mortgages and foreclosed when default occurs.

The huge $49 billion in loans made to seven Communist countries are extremely hazardous because they are not secured by anything. There is no way to foreclose a loan to a Communist government.

The Communist record for repaying loans is not inspiring. Russia paid back only about five percent of the $11 billion we loaned to it during World War II.

The big mystery is, why do Western banks finance Communism? Why have they loaned $18 billion to the Soviet Union, $10.8 billion to Poland, $6 billion to East Germany, $3.3 billion to Hungary, $2.8 billion each to Bulgaria and Romania, and $2.l billion to Czechoslovakia?

Congress should investiate why our government encouraged our bankers and businessmen to grant loans which not only greatly strengthen the Soviet Union, but enable the Kremlin to shift its resources into its nuclear weapons-building program.

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