The Development of Export Trade of European Industrial Products and its Financing

by

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1. *Pre-conditions for the restoration of a more balanced western European economy.*

The world economic situation is characterized by two facts:

(a) the under-developed countries have a small payment capacity and, therefore, cannot obtain adequate supplies of the equipment they need for the development of their natural resources;

(b) the countries of western Europe have attained so high a degree of exploitation of their natural resources that their only possibility of expanding their national incomes and restoring the balance of their international accounts lies in the development of their industrial production and exports.

Given this situation, if the recovery of the countries under (b) and the expansion — which goes with it — of their capacity of exporting industrial goods, does not proceed simultaneously with the development of the buying capacity of the countries under (a), the industrial investments which are being made in the industrialized European countries are in danger of remaining inadequately utilized. This situation is already making itself felt in a number of European countries and threatens to become even more serious as the present modernisation and development plans are carried out.

The rehabilitation of world economy and a rapid conclusion of the period of foreign assistance to western Europe are therefore contingent on the complementary development of the production and exportation of:

(a) industrial products, especially equipment goods, on the part of industrialized European countries;

(b) primary goods on the part of the rest of the world.

Until both these flows have organically developed, an adequate social and economic equilibrium will hardly be attained. Some European countries will remain chronically in a debtor position toward some of their trade partners and in an equally chronic creditor position toward others; stocks of unsold goods will accumulate, production capacity will remain partly unutilized, unemployment will tend to increase and any mechanism of multilateral compensation, however cleverly contrived, will prove inefficient as long as the unbalance of international exchanges will find its cause in permanent production insufficiencies.

To conclude, the readjustment of the economy of industrialized European countries can only be reached in a world economy in rapid and continuous expansion, able to absorb not only the surplus industrial production of North America but also an increasing quantity of industrial goods produced in western Europe. A possible stagnation in the development of world economy will affect western Europe more than the United States. Western European industry, indeed, is handicapped for three reasons: it has higher costs, lower technical level and is not in a position to grant credit to foreign buyers. Consequently, its competitive position on the world market is weaker and this dooms western European industry in the case its export outlets decrease or even only fail to expand. Moreover, since western Europe is dependent on exports more than any other region, it is clear that its interest in a progressive world economy is relatively greater than that of any other country, the United States included.

2. *Credit is needed in order to make possible the expansion of European exports.*

If the two flows described under 1. were simultaneous, the rehabilitation of western European economy would be a balanced, expanding and, one might almost say, automatic process.

Actually, one must consider that:

(a) the exploitation of natural resources is, as a rule, a slower process than the further development of industrial production, and;

(b) the exploitation of natural resources is hindered, in a number of countries, by the shortage of equipment.

We cannot therefore expect that the outlet markets of European industrial production can automatically develop up to the point required for absorbing the industrial production which these markets need and which the European countries will be able to supply and must be able to export in order to restore the balance of their international payments.

Thus, one process will fail to keep pace with the other and such mis-timing can have grave consequences for the rehabilitation of world economy.

Indeed, western Europe's industrial production would not find adequate outlets; these, in turn, could not be created as the lack of the necessary equipment would preclude an increase in the production of primary goods to be offered in payment for imports of industrial goods.

Only the resort to credit can provide the means for overcoming such a dangerous stalemate.

3. *International private long-term loans are impracticable in the present.*

The basic precondition of long-term financing — at the time when an international market of capitals still existed — was the assumption that the international accounts of a debtor country can, in the long run, be brought into balance through the interaction, automatic so to say, of a number of factors determined by the market.

Given this assumption, it could be expected that a sound concern, either private or public, capable of repaying its debts in domestic currency, would easily convert its amortization payments into foreign exchange and thus provide for the service of a foreign loan. The loan could therefore be granted on a long-term basis according to the capacity of repayment in national currency of the borrowing concern.

At present it is no longer possible to rely upon an automatic restoration of equilibrium in a balance of payments and, therefore, international loans can no longer be founded only on the economic and financial position of individual concerns. It is also necessary to establish whether the economic policies of the Governments concerned may enable the balance of payments of the individual countries to carry the burden of the loan.

It is therefore reasonable that long-term investors seek to link their loans with specific development programmes of the countries concerned and ask for guaranties that such programmes shall actually be carried out.

Now, the experience of these first years tells us that the necessity of founding long-term loans on the fulfilment of development plans runs up against two alternative difficulties; either

(a) the economy of the country concerned is run according to a plan, in which case the lender's intervention, necessarily directed to influence such plan, becomes delicate and difficult, or

(b) the country does not operate under an economic plan, in which case the analysis of the development programmes on the part of the lender loses much of its signifiance.

It must therefore be concluded that, in the present phase of international financing relations, the extension of long-term loans cannot be achieved on a rational basis: it presents such risks which are incompatible with the normal functioning of the market of capitals and, unless it can develop at the Government level on essentially political grounds, it can hardly be expected to attain great scope and importance.

4. *Maturity of international loans linked with the readjustment process of the balance of payments.*

Since at present the granting of international loans takes essentially into consideration the countries' balance of payments position and not only the situation of individual concerns, the economic foundation of such loans must rest on a possibility of improving the balance of payments linked with the utilisation of the goods obtainable by means of the loan. As our problem is one of promoting the expansion both of exports of European industrial goods and of production in European and extra-European under-developed countries, the loan will finance the purchase mainly of equipment goods.

This being so, it should be noted that the improvement, both direct and indirect, which the import of equipment goods can, in due course, achieve in the balance of payments of the importing country, represents a very large fraction of the import cost of such goods, much larger indeed than the depreciation allowance which is annually calculated by the concern employing the goods in question. As illustrations there are the contrasts between the cost of a tractor or of timber producing equipment and the value of the increased production of food or timber which equipment of this kind can yield.

If a balance is drawn, in terms of foreign exchange, between the cost of the imported equipment goods and the proceeds of the exports (or the reduced imports) made possible through the use of the additional imported equipment, the conclusion may be reached that it would be justifiable to extend credits carrying maturities up to but not exceeding 6-8 years.

5. *What credit may be granted to the country importing equipment goods.*

The fact that a country requiring equipment goods is not in a position to offer immediate payment does not necessarily imply that such country will not find it both convenient and possible to pay cash for a part at least of the supplies it receives.

Taking into account the risks inherent in such financing, it appears reasonable that the supplies should be financed only up to, on the average, 50% of their value and that the other 50% should be payed in cash by the importing country.

On the other hand it may be admitted, taking into account the partial cash payment, that repayment of the loan on the part of the importing country should be postponed and begin two to three years after the loan is granted, in order to assist the importer in the initial period of the development process.

By thus postponing repayment, account would be taken of the fact that equipment goods are often delivered and enter into effective use in the importing country only after an interval of two or three years.

6. *To whom should the credit be extended.*

It may be expected, as a rule, that on one hand we shall have a country, supplying equipment goods, which has no large credit capacity and, on the other, a country which can buy equipment goods only on a progress payment basis. Given the availability of a financing agency, it is sound financial policy to have the supplying country participate in the credit operation by enabling such country to extend credit, without confining the operation to a direct financing of the buyer. This with a view to:

(a) obtaining the commitment of two countries instead of one;

(b) having the supplying country participate in the financing and in the assessment of the line of credit which should be extended to the buyer country.

The transaction therefore would appear as a financing of the countries exporting equipment goods, achieved by discounting the notes issued by the importing country and endorsed by the exporting country to an agency ready to finance the latter.

7. Participation of the exporting country in the financing.

Given a certain industrial capacity partially idle, the cost of additional production destined for export is smaller than the average cost of the production already taking place.

This being so, a country, even though short of capital, may find it possible and profitable, without thereby running the risk of monetary disturbances, to export equipment goods against partially delayed payment, if the cash payment covers at least the additional cost of the production of such goods, i.e. the cost which must be borne in order to obtain the goods in question from the existing and partially idle industrial capacity.

The margin between the selling price and the additional cost of the new production varies greatly according to:

(a) the type of production,

(b) the margin of unused productive capacity existing in the exporting country.

It may be reasonably assumed that the additional cost of the new production for export equals, on the average, 75% of the selling price and that, therefore, a country which has not yet achieved full employment may find it profitable to finance additional exports up to 25% of their value.

8. Participation of a third party in the financing.

To conclude, the country exporting the equipment goods sells them for a part against cash payment (50% as said above) and for the rest against notes maturing over 3-8 years, taking into account the three-year postponement of amortization payments.

Considering that, as noted under 7., the exporting country may conveniently finance on the domestic market another 25% of the price, a mechanism must accordingly be devised to discount notes maturing over 3-8 years, amounting to approximately one fourth of the goods supplied.

9. The currency adopted for the operations.

As European production developes, European countries will, on a growing scale, require other European currencies and, among other, the currencies of those countries which dispose of the materials needed for the production of the additional export goods.

As already noted, unlike what happened during the first three years after the war, there now exists or — as a consequence of current investments and productivity increases — tends to exist an unused margin of productive capacity in the steel and engineering industry in a number of western European countries. This means that, within the limits of such unused capacity, European industrial countries may, as a group, finance *on their own* an expansion of industrial exports without thereby causing *direct* repercussions on their balance of payments.

The object of the proposed institution would accordingly be to utilize these latent credit capacities of the European industries and precisely to make possible the financing with *European currencies* of such expansion of exports as the industrial European countries as a group can achieve with the available plant.

Obviously, if the mechanism could avail itself also of dollars, it would be possible to overcome a number of production bottlenecks existing in Europe and, accordingly, to further expand the additional flow of European exports and, at the same time, the trade between Europe and the United States.

It must be admitted that a credit policy as the one described, although it may not have *direct* repercussions on the balance of payments of western Europe, would however have *secondary* effects, in so far as the development of production in the export industries would raise local purchasing power and thus lead to a higher demand for consumption goods and for imports of raw materials and foodstuffs not available in western Europe. This secondary effect would be likely, in due course, to be more than offset by the induced greater availability of raw materials and foodstuffs from overseas sources of supply which would be developed with the aid of the additional European exports. In the meantine, however, adequate measures shall be needed to check these secondary effects. The availability of dollars would rank among the most helpful measures for this purpose.

10. Possible intervention of the U.N.

An additional guaranty could be offered by the economic agencies of the U.N. or by F.A.O., which could issue a certificate stating that the supplies contemplated in the operation are important for the fulfilment of the programs of economic recovery and reorganisation drawn up by such agencies.

11. Basic features of the operations.

Reduced to its essentials, the transactions can now be summarized as follows:

— Discount of notes maturing over 3 to 8 years, bearing the signature of two distinct Governments, issued in connection with supplies of equipment goods tied with development plans supported by a special certificate of an economic agency operating in the framework of the U.N.

The risk factor, through the mechanism described, can be spread very extensively. Given the exporting countries *a,b,c,* etc., the importing countries *m,n,o,* etc., and the additional productions in the latter countries *x,y,w,* etc., each transaction would combine three elements. The financing agency would then be free to develop or to limit the credit operations according to the position of the importing country, that of the exporting country and the character of the production involved and would consequently effect different transactions *a,m,x; a,n,y; b,o,z,* and so on. It would also be possible to spread discounts over both short-term and long-term maturities, achieving thereby a dispersion of risks as wide as desiderable.

12. The risk problem.

In the present political and economic international situation export of industrial goods on a partially delayed payment basis would probably be deemed a risky operation by exporters. However, the Governments of the countries concerned, taking into account the benefits of an increase in employment, should be ready to cover a substantial part of the risks confronting the exporters. Part of the risks could be borne in pool by the institution in connection with the economic benefits resulting for the European economy as a whole from the expansion of European trade and production induced through the whole operation. This should make possible for the exporting countries to endorse *without guaranty*, wholly or partially, the notes discounted with the institution.

In order to avoid an excessive burden on the proposed institution, it appears necessary that longer maturities, i.e. 6 to 8-year notes, should be held by the exporting countries, whereas shorter maturities, i.e. 3 to 5-year notes, should be discounted by the financing institution. After having thus minimised the institution's risks by splitting up the operation and reducing its maturities, provision should be made for the creation of a guaranty fund for the benefit of those who loan funds to the proposed financial institution. This fund should be made up as follows:

(a) the institution's capital paid in by the various European countries,

(b) a risk fund built up by ear-marking part of the interest payments flowing from the borrowing countries at rates which will presumably be higher than those at which the institution will possibly finance itself.

13. Development of operations and connected capital requirements in the case of a constant flow of exports.

Let it be assumed that:

(a) the exporting countries finance 25% of the exports, payable in 3 equal instalments maturing on the 6th, 7th and 8th year from date of contract,

(b) the financial institution finances 25% of the exports, payable in 3 equal instalments

maturing on the 3rd, 4th and 5th year from date of contract;

(c) such a mechanism succeeds in promoting a constant flow of additional exports amounting to $ 500 million annually.

The result would be as follows:

FINANCING OF A CONSTANT FLOW OF EXPORTS — TABLE I

(in millions of dollars)

Years	Annual exports	Amount financed by exporting countries		Amount financed by the institution	
		Annual capital requirements (a)	Total outstanding credits	Annual capital requirements (b)	Total outstanding credits
1	500	125	125	125	125
2	500	125	250	125	250
3	500	125	375	83.1/3	333.1/3
4	500	125	500	41.1/3	375
5	500	125	625	—	375
6	500	83.1/3	708.1/3	—	375
7	500	41.2/3	750	—	375
8	500	—	750	—	375
9	500	—	750	—	375
10	500	—	750	—	375

(a) Net of repayments which begin on the 6th year.
(b) Net of repayments which begin on the 3rd year.

Table I shows that:

(i) the sum of outstanding credits of the exporting countries (see column 4) increases during the first fire years uniformly with the development of exports, the ratio of credits to exports being, as assumed, 25%. Thereafter, the rate of increase in outstanding credits gradually declines relatively to the rate of increase in exports, owing to repayments which begin on the 6th year. Eventually, from the eighth year onwards, repayments balance new credits and the total amount of outstanding credits settles down at the level reached in the seventh year. Correspondingly, the exporting countries' annual requirements of capital for financing purposes (see column 3) remain at 25% of the level of additional exports during the first five years, decreasing thereafter as repayments offset new credits entirely and therefore make fresh capital unnecessary;

(ii) the sum of outstanding credits of the institution (see column 6) follows a trend similar to that described above for the exporting countries. The outstanding credits of the institution, however, reach their peak, and stable, level by the fourth year, that is three years earlier compared with the exporting countries' outstanding credits. This is due to the shorter maturities of the notes discounted by the institution. For this same reason the level at which the amount outstanding of the institution's credits becomes stabilised is only 50% of the corresponding level for the exporting countries. The institution's annual requirements of capital for financing purposes (see column 5) show a trend similar to that of the exporting countries' requirements but decline earlier and are entirely offset by repayments in the 5th year.

14. *Development of operations and connected capital requirements in the case of an increasing flow of exports.*

It is obviously necessary, however, to foresee a gradual expansion of the institution's financial operations, in keeping with the rate of development of European production and intra-European trade. Let it be assumed, therefore, that the flow of additional exports induced by the institution's intervention increases by $ 100 million annually above the initial $ 500 million level. The results are shown in Table II; they indicate that:

(i) the annual capital requirements for the financing operations of the exporting countries (see column 3) increase at the same rate as exports up to the fifth year. Thereafter, requirements decline and, eventually, from the eighth year onwards, settle at a stabilised level, while induced additional exports continue to increase at the assumed annual rate of $ 100 million (see graph 1). At the end of the tenth year the total sum of outstanding loans (see column 4) will have reached $ 1,716 million compared with aggregate additional exports for the ten-year period of $ 9,500 million. After ten years, therefore, the ratio of outstanding loans to induced exports in approximately 18% (against a ratio of 25% during the first five years - see graph 2);

FINANCING OF AN INCREASING FLOW OF EXPORTS — TABLE II

(in millions of dollars)

Years	Annual exports	Amount financed by exporting countries		Amount financed by the institution		
		Annual capital requirements (a)	Total outstanding credits	Annual capital requirements (b)	Total outstanding credits	Reserve fund
1	500	125	125	125	125	2.5
2	600	150	275	150	275	8.–
3	700	175	450	133.1/3	408.1/3	16.2
4	800	200	650	108.1/3	416.2/3	26.5
5	900	225	875	75	591.2/3	38.3
6	1,000	208.1/3	1,083.2/3	75	666.2/3	51.6
7	1,100	183.1/3	1,266.2/3	75	741.2/3	66.4
8	1,200	150	1,416.2/3	75	816.2/3	82.7
9	1,300	150	1,566.2/3	75	819.2/3	100.5
10	1,400	150	1,716.2/3	75	966.2/3	119.8

(a) Net of repayments which begin on the 6th year.
(b) Net of repayments which begin on the 3rd year.

(ii) the annual capital requirements of the institution (see column 5) follow a similar trend, declining, however, three years earlier than in the case of the exporting countries and settling down on a stabilised level which is 50% of the corresponding level for the exporting countries (see graph 1). This is explained, once more, by the shorter maturities of the notes discounted by the institution. In the tenth year the total sum of outstanding credits of the institution (see column 6) will have reached $ 966 million, or approximately 10% of the total additional exports for the ten-year period, compared with a ratio of 25% during the first two years (see graph 2);

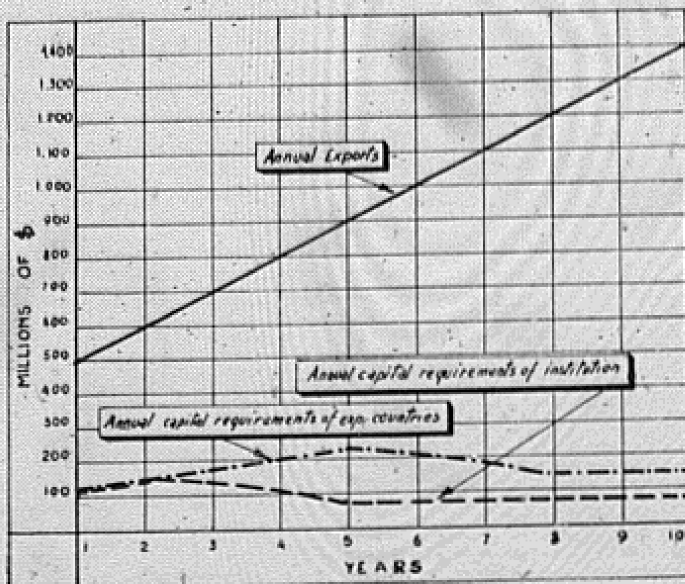
(iii) assuming that the institution relieves the exporting countries from all risks against payment of a commission of 2 percent per annum on all credits, and that the amount of commissions thus received is set aside as a reserve fund against possible losses, it will be seen (column 7) that in ten years the reserve amounts to about 12% of the total sum of the outstanding loans of the institution. If it is assumed that the institution distributes its commitments in equal proportions among the three major areas which constitute the main potential market of the western European steel and engineering industry: Latin America; Africa, Near East, and Far East; Eastern Europe and the U.S.S.R.; the reserve fund described would cover, after five years, 20% of the total sum of outstanding credits involving any whole area and, after ten years, 37%.

15. *Structure of the proposed institution.*

It is impossible to foresee which could be the financial resources of the institution, namely its capital, the fraction of it that should be paid up, the extent of rediscounting and other borrowing operations. With a view to establish a first relation between the development of European export trade considered in the preceding paragraph 14. and the institution's capital requirements, a draft balance sheet of the institution is shown in Table III.

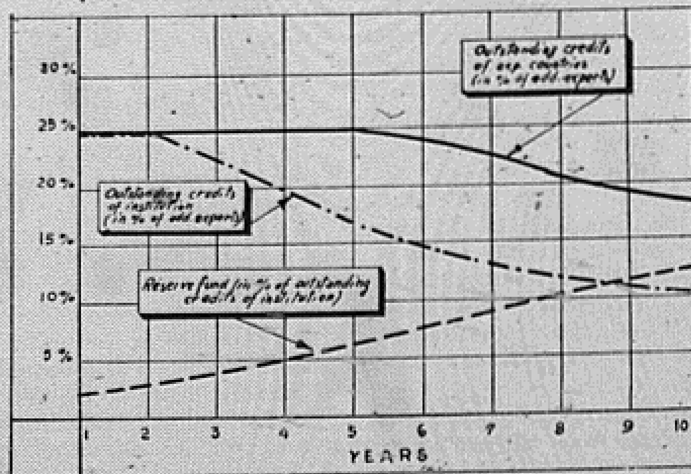
Transactions of the type described appear to be fully consistent with the principles and rôle of the International Bank for Reconstruction and Development, even although its Articles of Agreement may not expressly mention them.

GRAPH. 1 - ANNUAL ADDITIONAL EXPORTS AND ANNUAL CAPITAL REQUIREMENTS OF INSTITUTION AND OF EXPORTING COUNTRIES



GRAPH. 2 - a) TOTAL AMOUNT OF OUTSTANDING CREDITS OF INSTITUTION AND OF EXPORTING COUNTRIES, IN PERCENTAGE OF INDUCED ADDITIONAL EXPORTS

b) RESERVE FUND IN % OF OUTSTANDING CREDITS OF INSTITUTION



Indeed, it is clear that the purpose of the loans is to promote investments in accordance with the rehabilitation and expansion of world economy, stimulating at the same time both domestic investments and international trade. All these are among the aims indicated in the Bank's Articles of Agreement.

TABLE III

DRAFT BALANCE SHEET OF THE INSTITUTION AT THE END OF THE 10th YEAR OF OPERATION

(expressed in millions of U. S. dollars)

Assets		*Liabilities*	
Uncalled Capital	250	Subscribed Capital	500
Portfolio	600	Deposits	300
		Reserve Fund	50
	850		850
Notes rediscounted	366	Creditors for rediscounts	366

The participation of the IBRD in the scheme may be conceived in various forms: creation of an European branch; participation as member in a newly-created institution; rediscounting of part of the institution's portfolio.

16. *A credit mechanism of mixed type is at present needed to meet both the requirements of State action in the economic field and the private character of the market of capitals and of the instruments through which such market operates.*

The proposed mechanism would make possible a proper banking activity, in the sense that it would not be confined to the financing of a small number of vast projects of comparatively limited significance to the development of world economy, but would cover a very large number of transactions involving a whole series of countries, productions and exchanges. This would enable the institution to pursue a proper credit policy which could effectively contribute to the revival of trade, the elimination of many production bottlenecks, and the rehabilitation of world economy. This is all the more important since it must be realized that the opening of new outlets for European industrial products, and consequently the development of economically undeveloped countries, cannot be carried out by means of large-scale planning of inter-governmental relations. How would it be possible to coordinate so many different viewpoints which are a consequence of so different and apparently irreconcilable economic conceptions and needs? Such an attempt would be extremely costly and would create conditions for further political dissensions, while common conclusions would tend to be reached only on matters of minor importance. Or, still, it could be one more addition to the already long list of mutilateral compensation schemes.

It is much more practical to create a non-governmental mechanism which, without great planning but only through actions of a banking character, would rapidly make available the capital of industrial European countries to the prospective buyers of industrial products and so foster an immediate increase of the volume of international trade. It would not be difficult to take into account in the development of such operations both general and particular plans or opinions of the great international organisations, but it is necessary to avoid financial activity becoming dependent on such plans or discussions of international organisations or special commissions. All the countries which are prospective buyers of European industrial products have reached such an advanced stage in their re-organisation as to be able to decide what and where to purchase, if money is available. If the exporting countries, on their part, have financial backing which would allow them to give the necessary credit, the machines would start rolling quickly.

Indeed, an efficient development of international financing is hampered by the fact that, while such financing is accomplished essentially at the Government level, all the financial mechanisms, the sources of capital available for financing purposes, the mentality and the traditions of the financial circles have an intrinsically private character. As State intervention in foreign trade relations seems bound to continue, the restoration of an international financial market depends upon the possibility of finding a formula allowing:

1) the utilization of the private instruments of credit and, above all, of the banker's conception of financing activity, and

2) the placing of such instruments at the disposal of the Governments for the economic activity they will inevitably continue to fulfill.

The formula here suggested meets such requirements: indeed, the notes which would be issued would have a self-liquidating character fairly similar to that possessed by normal commercial paper.

Such notes could be circulated on the international financial market by means of endorsement on the part of the institution; in this manner, besides commiting the capital of the two countries involved in the operation, it becomes possible to mobilize the financial resources of countries which are not, at present, exporters of capitals, but could have an interest in medium-term securities whose principal obligor is a country on the way of its development which will be able to supply, in due course, the primary goods which the lender country normally imports.

There would thus be on the international market a differentiation of rates according to maturities and obligors, which would offer a useful means for the regulation of the volume of discounts; moreover, the manoeuvre of interest rates could provide an incentive for the regular fulfilment of the obligations on the part of the borrowing countries, an incentive which, for some countries, would prove more efficient than the drawing up of a plan.

Should the operations develop considerably, an efficient instrument would also be created for the regulation of the domestic market of capitals.

17. *The desirability of a gradual passage from the forms of capital transfer based prevalently on relief or political considerations, to forms based prevalently on an economic valuation.*

The production of raw materials, foodstuffs and manufactured goods has recovered very rapidly since the end of the war, considering the state of disorganisation and paralysis of world economy which followed the end of hostilities.

A decisive contribution to this recovery came first from UNRRA's aid, and thereafter from American grants and credits; such interventions, both as regards the form and the criteria adopted, base themselves necessarily more on humanitarian and political grounds than on an economic valuation.

A further step in world recovery must now bring about a progressive development of financial transactions based on considerations of economic convenience. With the technical financial instruments currently available it appears hardly possible that such development can coexist along with the inevitable continuation of transactions based on « aid » considerations.

The financing mechanism proposed here should prove helpful in promoting such development and should bring back to the international financial system the minimum of elasticity required for a sound functioning and further expansion.

APPENDIX.

SCHEME OF OPERATION

1. — Country A, exporter of industrial goods, sells country B 1,000 tractors, payable as follows:

50 percent under the existing trade and payments agreements between the two countries;

50 percent in six equal annual instalments beginning 2 years after date of contract.

The credit, covering 50 per cent of the tractors'price, is granted to country B against notes, of which:

50 percent are labeled in the currency of the exporting country A, and mature on the sixth, seventh and eighth year, and:

50 percent are labeled in the currency of a third country C, in relation to the fact that the institution is ready to discount notes labeled in such currency.

In substance, the exporting country A sells its goods:

50 percent in exchange of products from the importing country B and

25 percent against products of country C or even of other countries, according to the financial agreements which may be reached between countries A and C.

2. — Country A discounts with the institution the first three instalments maturing on the second, third and fourth year.

The resources needed by the institution for the discount operation are drawn from three main sources:

(i) the institution's capital, namely the share of it supplied by country C;

(ii) deposits collected in the currency of country C;

(iii) rediscount operations with public or private banks. The notes rediscounted are thus circulated with three signatures: that of the importing country (principal obligor), that of the exporting country (first endorser, possibly without guaranty) and that of the institution (second endorser, with guaranty).

3. — If the two contractors have agreed to label part of the notes in the currency of country C, this means that:

(a) there exist a shortage of country C's currency in intra-European trade resulting from an excess of exporting capacity in country C, which remains unutilised owing to the lack of means of payment on the part of countries which would otherwise import products from country C;

(b) there are countries interested in purchasing means of payment on country B; these countries may be either the country which has granted the credit (i.e. country C) or other countries which expect to become debtors of country B and are creditors of country C.