

AIRGRAM

868.10/9-142

XR 461.6841

FOR RM USE ONLY

RM/R 2	REP 1	AF
ARA	EUR	FE
NEA	CU	INR 5
E 3	P	IO
L	FBO	AID 11
AGR	COM 10	FRB 3
INT	LAB	TAR
TR 2	XMB 2	AIR 3
ARMY	CIA	NAVY
OSC 12	USIA	NSA 3
		NSC 2

A-198

OFFICIAL USE ONLY

NO.

HANDLING INDICATOR

TO : DEPARTMENT OF STATE

INFO : MOSCOW, SARAJEVO, ZAGREB

FROM : Amembassy BELGRADE

DATE: 1 September 1962

SUBJECT: Status of Debt to Soviet Bloc

REF : (a) CERP D-11 and D-12; (b) Belgrade A-46, July 14, 1962;
(c) A-85, July 28, 1962

There has been speculation following Vice-president Todorovic's visit to Moscow in early July (reference (c)) that the Soviet bloc may reschedule credits extended to Yugoslavia in early 1956 and then suspended. In view of this speculation the Embassy believes it useful to review the status of these credits as of December 31, 1961, the date of the latest information available to us. Our data is derived from repayment schedules of Yugoslavia's foreign debt furnished the Embassy by the Yugoslav National Bank.

Background

In the first half of 1956 Soviet bloc credits totalling \$464 million were extended to Yugoslavia. The interest rate on all credits was 2%. They are listed in Enclosure I. In May 1958, the Soviet Union unilaterally "postponed" for five years the two developmental credits, that of \$110 million (including \$75 million for a large fertilizer plant) and the \$175 million Soviet-East German credit for an aluminum combine in Montenegro. On December 31, 1959 the contracting periods for the \$54 million Soviet credit and two Czech credits totalling \$75 million expired. Only a Polish credit remained fully available.

Utilization Prior to 1961

Prior to the "postponement" of credits or expiration of the contracting periods, Yugoslavia had either utilized or signed contracts for \$109.2 million. These are listed as "effective amounts" on Enclosure I. The only credit utilized fully was that of \$30 million extended by the Soviet Union in gold and convertible currencies. Subsequent talks in 1959 with the Russians and Czechs on rescheduling the credits or extending the expiration dates were

FORM 4-62 DS-323

OFFICIAL USE ONLY

FOR DEPT. USE ONLY

☒ In ☐ Out

Drafted by:

RGLivingston:ns 8/31/62

Contents and Classification Approved by:

MIN-COUN R.E. Lisle

Clearances:

Owen T. Jones

OFFICIAL USE ONLY

fruitless.

Activity During 1961

Yugoslavia utilized only the Polish credit last year. (There was also a small disbursement under the Czech investment credit, probably the result of a delivery under a contract concluded prior to 1959.)

We estimate (see Enclosure II) that according to original terms about \$8.1 million in repayments of principal were due last year. The National Bank's figures show, however, that only \$5.4 million was actually repaid. No repayments were made on the Soviet investment credit. (Our information shows that only one small repayment on this credit has ever been made, \$38,000 in 1959.) And in contrast to 1959 and 1960, no repayments were made last year on the two Czech credits. National Bank figures for the first half of 1961 show that Yugoslavia made interest payments on all the obligations, except the Soviet investment credit, a total of \$277,200.

Recipients of reference (b) may notice a few minor discrepancies between the figures presented there for the undisbursed portions of the two Czech credits and disbursements of the Soviet commodity credit. The figures in the previous report result from conceptual and typing errors. They should be disregarded.

Current Status

No data of more recent date than December 31, 1961 is available to us. Only the \$2.7 million of the Polish credit remained available to Yugoslavia at that time.

The Soviet Union's May 1958 "postponement" of the \$110 investment credit and the \$175 million aluminum project credit was for five years. At the time the Yugoslavs treated this postponement as tantamount to cancellation. Since the five year period is due to expire next year, however, both the Soviet Union and Yugoslavia have adequate justification for raising the question of reinstating the credits. Presumably the amounts involved would be about \$94 million of the investment credit and almost all the aluminum credit. (The difference between the original and the effective amounts on Enclosure I.) Utilization schedules on these credits extended over five years (1958-1963). Since many of the investment projects originally intended for financing under them have been since been built with funds from other sources, a rescheduling would be necessary.

Edwin E. Segall
Edwin E. Segall

Second Secretary of Embassy

2 Enclosures:

1. Status of Yugoslav Medium and Long-term Debt.
2. Yugoslav Estimated Repayments of Principal.

OFFICIAL USE ONLY

Central File: Decimal File 868.10, Internal Economic, Industrial And Social Affairs., Yugoslavia, Financial Matters. (General)., September 1, 1962. 1 Sept. 1962. MS Commercial and Trade Relations Between Tsarist Russia, the Soviet Union and the U.S., 1910-1963: RG 59, State Department, Central Files, Commercial Relations (411.61 and 461.11), United States-Soviet Union, 1950-1963. National Archives (United States). Archives Unbound, link.gale.com/apps/doc/SC5106467735/GDSC?u=camb55135&sid=bookmark-GDSC&pg=1. Accessed 1 May 2024.