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**Page Denied**

25X1

Next 1 Page(s) In Document Denied

16 October 1984

Sitrep

Yugoslavia

Senior Yugoslav financial officials meeting with the International Coordinating Committee (ICC) of commercial bank creditors in late September presented their request for a multiyear rescheduling of bank debt maturing in 1985-88.

25X1

[REDACTED]

The Yugoslavs offered to repay a portion of the principal falling due during the rescheduling years, starting at perhaps 10 percent in 1985 and increasing by 5 to 10 percent in each subsequent year. The Yugoslavs stated that Belgrade wants a refinancing package similar to the recent program negotiated by Mexico. They asserted that Yugoslavia's good economic performance--10 percent growth of hard currency exports through August and a likely \$600-700 million current account surplus for the year--justifies such concessions. [REDACTED]

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The ICC responded that it supports a multiyear program as

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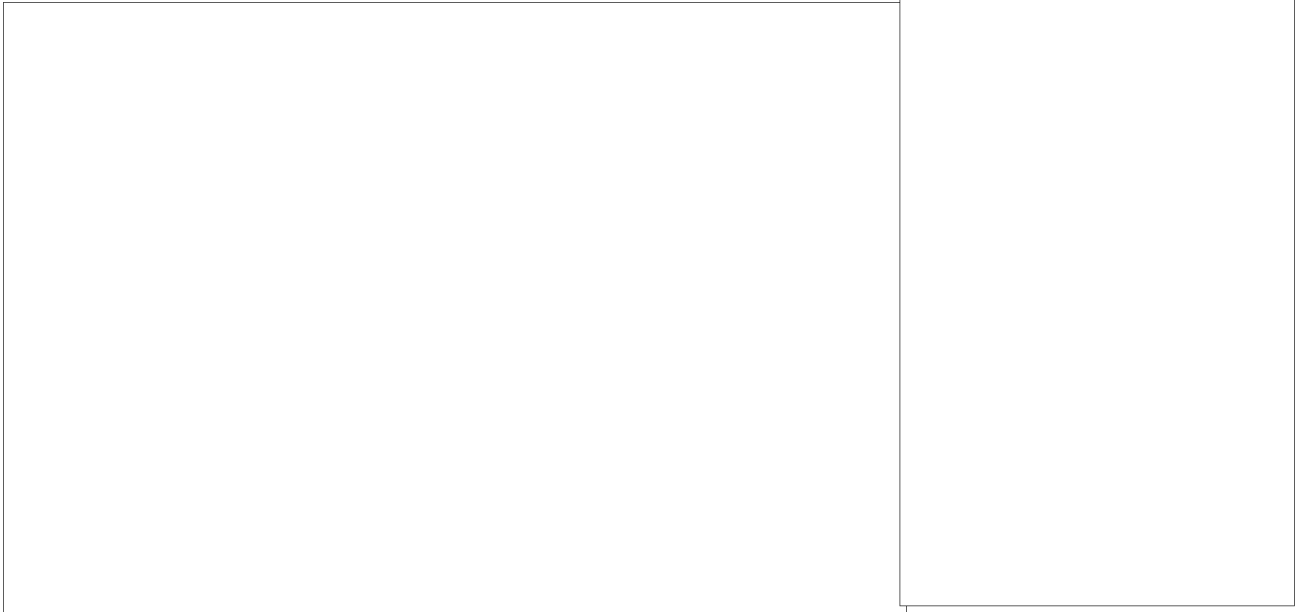
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[REDACTED]  
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long as Belgrade and the IMF negotiate a standby agreement for the period under discussion and Yugoslavia's official creditors provide a comparable multiyear rescheduling.

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The ICC appeared confused about the Paris Club position and requested committee members to contact their respective governments about the official creditors' view of a multiyear rescheduling.

25X1

25X1



**Page Denied**

Romania

25X1

Senior Romanian financial officials have asserted that the country's strong current account performance shows that Romania will continue to meet its financial commitments. According to the Chairman of the Romanian Foreign Trade Bank Eremia, Romania had a \$1.3 billion hard currency trade surplus and a \$650 million current account surplus through July even though imports had increased by 5 percent.

25X1

25X1

**Page Denied**

Poland

25X1

Although the Poles now appear to be more realistic about the benefits of IMF membership, they still believe they can get new credits quickly. Even if processing of Poland's IMF membership began today, technical problems, including Poland's sizable overdue debt payments, would probably delay entry until 1986. Moreover, Warsaw's continued reluctance to impose tough austerity measures would hamper negotiations for sizable Fund credits. Poland's failure to obtain large amounts of Western credits over the next five years will severely retard the growth of imports

[redacted]

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necessary for economic expansion. [redacted]

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[redacted]

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[redacted]

A recent Soviet press article,

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however, indicates that Moscow remain skeptical about IMF conditions. Although we believe the Soviets are unlikely to provide the necessary aid, they probably will continue to object to further Polish political concessions, but will not block Warsaw's entry. [redacted]

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Next 12 Page(s) In Document Denied