

No. 27646

**UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND
and
YUGOSLAVIA**

Exchange of notes constituting an agreement concerning certain commercial debts (with annex). Belgrade, 11 January 1989

Authentic texts: English and Serbo-Croatian.

Registered by the United Kingdom of Great Britain and Northern Ireland on 23 November 1990.

**ROYAUME-UNI DE GRANDE-BRETAGNE
ET D'IRLANDE DU NORD
et
YOUGOSLAVIE**

Échange de notes constituant un accord relatif à certaines dettes commerciales (avec annexe). Belgrade, 11 janvier 1989

Textes authentiques : anglais et serbo-croate.

Enregistré par le Royaume-Uni de Grande-Bretagne et d'Irlande du Nord le 23 novembre 1990.

EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE FEDERAL EXECUTIVE COUNCIL OF THE ASSEMBLY OF THE SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA, THE GOVERNMENT OF YUGOSLAVIA, CONCERNING CERTAIN COMMERCIAL DEBTS

I

*Her Majesty's Ambassador at Belgrade to the Director in the Federal Secretariat
for Finance of the Socialist Federal Republic of Yugoslavia*

BRITISH EMBASSY
BELGRADE

11 January 1989

Sir,

I have the honour to refer to the Agreed Minute on the Consolidation of the Debt of the Socialist Federal Republic of Yugoslavia which was signed in Paris on 13 July 1988 and to inform you that the Government of the United Kingdom of Great Britain and Northern Ireland are prepared to provide debt relief to the Federal Executive Council of the Assembly of the Socialist Federal Republic of Yugoslavia, the Government of Yugoslavia, on the terms and conditions set out in the attached Annex.

If these terms and conditions are acceptable to the Federal Executive Council of the Assembly of the Socialist Federal Republic of Yugoslavia, I have the honour to propose that this Note together with its Annex and your reply to that effect, shall constitute an Agreement between the two Governments in this matter which shall be known as "The United Kingdom/Yugoslavia Debt Agreement No. 4 (1988)" and which shall apply provisionally from the date of your reply and shall enter into force definitively on ratification, in accordance with the laws in force in Yugoslavia; it shall remain in force until all amounts due under the attached Annex have been paid.

I have the honour to convey to you the assurance of my highest consideration.

A. M. WOOD

¹ Came into force provisionally on 11 January 1989, the date of the note in reply, and definitively on 16 June 1989, the date of its ratification by the Government of Yugoslavia, in accordance with the provisions of the said notes.

ANNEX

SECTION 1

Definitions and Interpretation

- (1) In this Annex, unless the contrary intention appears:
- (a) "Agreed Minute" means the Agreed Minute on the Consolidation of the Debt of the Socialist Federal Republic of Yugoslavia which was signed in Paris on 13 July 1988;
 - (b) "the Bank" means Udružena Beogradska Banka of 2-4 Knez Mihajlova 11000 Beograd, Yugoslavia which has been nominated by the Federal Executive Council to act as its agent and also acts on behalf of the Debtors;
 - (c) "the Consolidation Period" means the period from 1 April 1988 to 30 June 1989 inclusive;
 - (d) "Contract" means a contract, or any agreement supplemental thereto, entered into before 2 December 1982, the parties to which include a Debtor and a Creditor and which is either for the sale of goods and/or services from outside Yugoslavia to a buyer in Yugoslavia, or is in respect of the financing of such a sale, and which in either case granted or allowed credit to the Debtor for a period exceeding one year;
 - (e) "Creditor" means a person or body of persons or corporation resident or carrying on business in the United Kingdom, or any successor in title thereto;
 - (f) "Currency of the Debt" means the currency specified in the relevant Contract or in the Previous Agreements as being the currency in which a Debt is to be paid;
 - (g) "Debt" means any debt to which, by virtue of the provisions of Section 2(1), the provisions of this Annex apply;
 - (h) "Debtor" means any organisation of associated labour or business bank carrying on business in Yugoslavia or any successor in title thereto;
 - (i) "the Department" means the Secretary of State of the Government of the United Kingdom acting through the Export Credits Guarantee Department or any other Department of the Government of the United Kingdom which that Government may subsequently nominate for the purpose hereof;
 - (j) "Federal Executive Council" means the Federal Executive Council of the Assembly of the Socialist Federal Republic of Yugoslavia, the Government of Yugoslavia;
 - (k) "the Government of the United Kingdom" means the Government of the United Kingdom of Great Britain and Northern Ireland;
 - (l) "Maturity" in relation to a Debt specified in Section 2(1)(a) means the due date for repayment under the relevant Previous Agreement, and in relation to a Debt specified in Section 2(1)(b), means the due date for the payment or repayment thereof under the relevant Contract, or on a promissory note or bill of exchange drawn up pursuant thereto;

- (m) “Previous Agreements” means the Agreements between the Government of the United Kingdom and the Federal Executive Council on Certain Commercial Debts signed on 6 December 1984,¹ 7 February 1986² and 29 July 1987,³
- (n) “Reference Rate” means the arithmetic mean (rounded upwards where necessary to the nearest multiple of 1/16th (one sixteenth) of one per cent) of the rates quoted to the Department at its request by three banks to be agreed between the Department and the Bank at which six-month sterling deposits, in the case of Debts denominated in sterling, and six-month eurodollar deposits, in the case of Debts denominated in US dollars, are offered to those banks by prime banks in the London interbank market at 11am (London time) two business days before the commencement of the relevant interest period in each year;
- (o) “United Kingdom” means the United Kingdom of Great Britain and Northern Ireland, and for the purposes of Section 1(1)(e) includes the Channel Islands and the Isle of Man.
- (2) All references to interest, excluding contractual interest, shall be to interest accruing from day to day and calculated on the basis of actual days elapsed and a year of 365 days in the case of Debts denominated in sterling and of 360 days in the case of Debts denominated in US dollars.
- (3) Where the context of this Annex so allows, words importing the singular include the plural and vice-versa.
- (4) Unless otherwise indicated, reference to a specified Section shall be construed as a reference to that specified Section of this Annex.
- (5) The headings to the Sections are for ease of reference only.

SECTION 2

The Debt

- (1) The provisions of this Annex shall, subject to the provisions of paragraph (2) of this Section, apply to:
- (a) 100 per cent of principal or interest payable under any of the Previous Agreements which fell due or will fall due during the Consolidation Period and remains unpaid; and
- (b) 100 per cent of principal or contractual interest accruing up to Maturity, owed by a Debtor to a Creditor, and which:
- (i) arises under or in relation to a Contract;
- (ii) fell due or will fall due for payment during the Consolidation Period and remains unpaid;
- (iii) is guaranteed by the Department as to payment according to the terms of the Contract; and
- (iv) is not expressed by the terms of the Contract to be payable in Yugoslav dinars.

¹ United Nations, *Treaty Series*, vol. 1426, p. 307.

² *Ibid.*, vol. 1667, No. I-28654.

³ *Ibid.*, vol. 1556, p. 65.

(2) The Department and the Bank shall, as soon as possible, agree and draw up a list of Debts ("the Debt List") to which, by virtue of the provisions of this Section, this Annex applies. The Debt List may be reviewed from time to time at the request of the Department or of the Bank, but may not be added to or amended without the agreement of both the Department and the Bank. Delay in the completion of the Debt List shall neither prevent nor delay the implementation of the other provisions of this Annex.

(3) The provisions of this Annex shall not apply to any amount payable upon, or as a condition of, the formation of the Contract, or as a condition of the cancellation or termination of the Contract.

SECTION 3

Payments under the Previous Agreements

The provisions of the Previous Agreements in so far as they relate to the payment of any Debt shall cease to apply upon entry into force of this Annex.

SECTION 4

Transfer Scheme

The Bank shall pay to the Department, in accordance with the provisions of Section 6(1), 100 per cent of each Debt by eight equal and consecutive half-yearly instalments commencing on 15 May 1995.

SECTION 5

Interest

(1) Interest shall be deemed to have accrued and shall accrue on the unpaid portion of each Debt during, and shall be payable in respect of, the period from Maturity until the settlement of that Debt by payment to the Department in accordance with Section 4.

(2) The Bank shall pay to the Department in accordance with the provisions of Section 6(1) and of this Section interest on each Debt to the extent that it has not been settled by payment to the Department in the United Kingdom pursuant to Section 4. Such interest shall be payable to the Department half-yearly on 15 May and 15 November each year commencing on 15 November 1988.

(3) If any amount of interest payable in accordance with the provisions of paragraph (2) of this Section is not paid on the due date for payment thereof, the Bank shall pay to the Department interest on such amount of overdue interest. Such additional interest shall accrue from day to day from the due date for payment thereof in accordance with the provisions of paragraph (2) of this Section to the date of receipt of the payment by the Department, and shall be due and payable without further notice or demand of any kind.

(4) All interest payable in accordance with the provisions of this Section shall be paid at the rate of 0.5 per cent above the Reference Rate applicable to each six-monthly interest period commencing from the Maturity of the Debt concerned.

SECTION 6**Payments to the Department**

(1) As and when payments become due under the terms of Sections 4 and 5, the Bank shall arrange for the necessary amounts, without deduction for taxes, fees, other public charges or any other costs accruing inside Yugoslavia, to be paid in the Currency of the Debt to the Department in the United Kingdom to an account details of which shall be notified by the Department to the Bank. In this respect the Department shall be regarded as acting as agent for each Creditor concerned.

(2) The Bank shall give the Department full particulars of the Debts and/or interest to which the transfers relate.

SECTION 7**Exchange of Information**

The Department and the Bank shall exchange all information required for the implementation of this Annex.

SECTION 8**Other Debt Settlements**

(1) The Federal Executive Council undertakes to comply with the conditions of Article III, paragraphs 1, 2, 3 and 7, of the Agreed Minute and agrees to accord to the Government of the United Kingdom terms no less favourable than those agreed with any other creditor country, notwithstanding any provision of this Annex to the contrary.

(2) The provisions of paragraph (1) of this Section shall not apply to matters relating to the payment of interest determined by Section 5.

SECTION 9**Preservation of Rights and Obligations**

This Annex and its implementation shall not affect the rights and obligations of any Creditor or Debtor under a Contract, other than those rights and obligations in respect of which the Government of the United Kingdom and the Federal Executive Council are authorised to act respectively on behalf of, and to bind, such Creditor and Debtor.

SECTION 10**Goodwill Clause**

The Government of the United Kingdom acknowledges its commitment to Article IV, paragraph 5, of the Agreed Minute.

[TRANSLATION¹ — TRADUCTION²]

The Director in the Federal Secretariat for Finance of the Socialist Federal Republic of Yugoslavia to Her Majesty's Ambassador at Belgrade

Belgrade
11 January 1989

Your Excellency,

I have the honour to acknowledge receipt of Your Excellency's Note of 11 January 1989 which reads as follows:

[*See note I*]

I have the honour to confirm that the terms and conditions set out in the Annex to your Note are acceptable to the Federal Executive Council of the Assembly of the Socialist Federal Republic of Yugoslavia, the Government of Yugoslavia, and that your Note together with its Annex and this reply, shall constitute an Agreement between our two Governments in this matter which shall be known as 'The United Kingdom/Yugoslavia Debt Agreement No. 4 (1988)' and which shall apply provisionally from today and shall enter into force definitively on ratification, in accordance with the laws in force in Yugoslavia; it shall remain in force until all amounts due under the Annex to your Note have been paid.

I have the honour to convey to Your excellency the assurance of my highest consideration.

N. JELIĆ
Director in the Federal Secretariat
for Finance

¹ Translation supplied by the Government of the United Kingdom.

² Traduction fournie par le Gouvernement du Royaume-Uni.