



DEPARTMENT OF STATE

Washington, D.C. 20520

April 20, 1968

MEMORANDUM FOR THE PRESIDENT

Subject: Export-Import Bank Financing on  
Transactions with Yugoslavia

Recommendation:

That you determine that it is in the national interest for the Export-Import Bank to continue to extend guarantees, insurance, and credits in connection with the sale of United States products and services to Yugoslavia and so notify the Congress as required by Section 2(b)(2) of the Export-Import Bank Act of 1968. Mr. Linder concurs in this recommendation.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

Discussion:

On February 4, 1964 in accordance with Title III of the Foreign Aid and Related Agencies Appropriation Act of 1964, you determined that it was in the national interest for the Export-Import Bank to issue guarantees in connection with United States exports to Yugoslavia.

A renewed determination in favor of Yugoslavia is needed at this time because of the Tower-Hickenlooper Amendment prohibiting Export-Import Bank participation in transactions involving Communist countries as defined in Section 620(F) of the Foreign Assistance Act, contained in the Export-Import Bank Act of 1968. The Tower-Hickenlooper Amendment is similar to, but not exactly the same as, the prohibition against financing sales to Communist countries which appears in the Foreign Assistance Appropriation Acts of 1964 through 1968. The basic differences between Tower-Hickenlooper and the prohibition in the Appropriation Act are: (1) Tower-Hickenlooper contains a new provision affecting transactions with third countries

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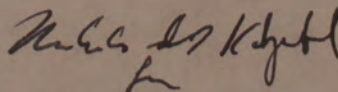


for products that are ultimately destined for use in a Communist country, and (2) Tower-Hickenlooper directly allows for a Presidential Determination regarding the extension of credits (in addition to guarantees).

I believe that it is in the national interest to continue the availability of the Export-Import Bank facilities to Yugoslavia. Experience since 1964 has shown that Export-Import Bank assistance has helped American business maintain a competitive position in this market. To the extent that American firms can continue to sell to Yugoslavia, our balance of payments will benefit directly and our political objectives will be advanced. We have supported Yugoslavia's independence of Soviet control since 1948, and in recent years have depended increasingly on normal business and commercial relationships to draw Yugoslavia more tightly into the free world trading and economic system. We have supported since 1965 an economic reform which is increasing the operation of a market economy in that country and which has permitted Yugoslavia to join the GATT as a full Contracting Party. Yugoslavia no longer needs American aid, but it does need extensive, mutually advantageous economic relations, such as those Export-Import Bank assistance can make possible.

It would not be advantageous at this time to extend the Presidential Determination to other Eastern European countries since they would still be ineligible for Export-Import Bank facilities because of the Fino Amendment to the Export-Import Bank's legislation prohibiting Export-Import Bank participation in transactions with countries whose governments directly furnish goods or services to North Vietnam. We have studied the applicability of the Fino Amendment to Yugoslavia, and I have concluded that the Government of Yugoslavia is not directly furnishing goods, supplies, or military assistance to North Vietnam. On the House Floor Congressman Fino stated that his amendment would not affect Yugoslavia.

A suggested text of the letter of notification to the Congress required by the Export-Import Bank Act of 1945, as amended, is attached.



Dean Rusk

Enclosure:

Suggested letter.