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CIA #2084

1 JUL 1963

MEMORANDUM FOR: Mr. Sidney Suller
IHR/RFE
Department of State

SUBJECT: Indonesia's Debt to the Sino-Soviet Bloc and Major
Economic and Military Aid Agreements Between
Indonesia and the Bloc

In response to your request of 25 June 1963, we are enclosing
a memorandum on the referenced subject.

FOR THE ASSISTANT DIRECTOR, RESEARCH AND REPORTS:

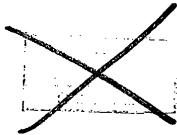
Chief,

Enclosure:
As stated above.

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CIA HISTORICAL REVIEW PROGRAM
RELEASE AS SANITIZED
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1 July 1963

Repayment of Indonesian Debts to the Sino-Soviet Bloc

During the period 1962-1979* Indonesia is scheduled to make interest and principal payments to the Sino-Soviet Bloc totaling about \$950 million for military and economic goods and services which have been or are being provided under credit arrangements. Annual payments will increase steadily, reaching a peak of over \$100 million in 1965. About 70 percent of total repayments must be made to the USSR, primarily for military aid. Although some of the agreements provide for repayment in Indonesian goods, most of the payments probably will be made in US dollars, pounds sterling, or other convertible currencies.

Since 1958 the Bloc -- primarily the USSR -- has agreed to provide more than US \$1 billion worth of military equipment and technical assistance to Indonesia.

Indonesia's repayment obligations to the Bloc for economic credits will be small for some time as only an estimated \$166 million of the total of \$645 million in Bloc economic credits has been drawn to date.

Economic credit repayments are minimum estimates because they do not reflect the drawings for projects on which repayments do not begin until completion.

* The schedules include repayment obligations for 1962 because no information is available on repayments made during this year.

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~~GROUP 1
Excluded from automatic
downgrading and
declassification~~

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Major Economic and Military Aid Agreements
Between Indonesia and the Bloc

April 1956

Economic agreement with Czechoslovakia provided a line of credit for economic development. The amount of this credit and the projects involved have been changed several times since 1956. The credit has been entirely drawn in the amount of \$20.3 million for the following projects: sawmill plant; tire factory; irrigation machinery; agricultural machinery; railroad freight cars; diesel generators; and a hydroelectric powerplant.

Terms Payment of the credit is to be made in 10 semi-annual installments in pounds sterling at 4 percent interest. Both interest and principal payments are to start 6 months after the date of the last shipment on a particular project.

Sept. 1956

Economic agreement with the USSR provided a \$100 million line of credit for economic development. This has been completely allocated for ships, textiles, road construction, a steel project, superphosphate plant, agricultural projects and refining equipment. An agreement of June 1957 increased the credit to \$117.5 million and added a stadium and a merchant marine school to the list of projects.

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Term: Repayment of the credit is to be in 12 annual installments in pounds sterling or currency of a third country to begin 3 years after receipt of credit for a definite project. 2 1/2 percent interest is to be calculated from date of issue of credit.

March 1958 Military agreement with Poland provided mainly for naval equipment.

March 1958 Military agreement with Czechoslovakia

June 1958 Economic agreement with Poland provided a credit of \$59.2 million for the purchase of 24 ships of various tonnage.

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Terms: Payments are spread over 13 years at 5 percent interest in US dollars or pounds sterling. Payments began in 1960 after the first ship was delivered.

Late 1958

Military agreement with Communist China. Only fragmentary information is available on this agreement.

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February 1960

Economic agreement with the USSR provided a \$250 million line of credit for economic development. Some \$200 million of this has been allocated for a hydroelectric and aluminum plant complex, an iron and steel project, a soda ash plant, and atomic energy projects.

Terms: Payments are to be made semi-annually over a 15-year period beginning one year after a project is completed. Payment is in Indonesian goods, pounds sterling, or other free currency with interest at 8.5 percent. Interest is to be charged from the date of delivery and is payable in the first month of the year following the drawing.

July 1960

Economic agreement with Czechoslovakia provided for about \$13.6 million in industrial development projects. This has been allocated for cement plants,

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railroad cars, sugar mills, tire plants and hydro-
electric projects.

Value of agreement: \$33.6 million

Downpayment: 3.4 million

Credit: 30.2 million

Terms: Payments are to be made in 8 equal
annual installments beginning one year after all
deliveries are made for a specific project. Pay-
ment is to be in pounds sterling at 2.5 percent
interest.

Sept. 1960

Military agreement with the USSR for naval and
marine equipment.

Jan.-June
1961

Military agreements with the USSR providing for
equipment and technical services for all three Indo-
nesia military services.

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June 1961

Economic agreement with Ecuador provided \$50 million for petroleum development and railroad construction.

Value of agreement: \$50 million

Equipment: 7.5 million

Credit: 42.5 million

Terms: Equipment is to be in a maximum of 10 annual installments, depending on items to be delivered, at 2.5 percent interest. Interest to be charged from 1 January of the year following each delivery and is payable at the end of the year.

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Payments may be made in goods or foreign exchange.
There also is a provision for possible payment by
transferring Indonesian credit balances with third
countries to Sumatra.

August 1961

Economic agreement with Poland provided a \$30
million credit for industrial development. This
has been allocated for coal mine rehabilitation,
cement plant, sugar refineries, reinforcing rod
plant, cast iron factory, and construction materials
plant.

Value of agreement: \$30 million
plus \$1.5 million by August 1962
protocol

Credit: 31.5 million

August 1961

Economic agreement with Hungary provided \$68
million for industrial development. This is to be
used for telephone equipment, seamless steel tube
plant, power equipment, dye plant, insecticide
plant, copper plants, and electric bulb and
fluorescent tube factory.

Value of agreement: \$68 million
Payments: 3.6 million
Credit: 22.4 million

Hungary Payment is to be in 6 annual install-
ments beginning one year from final delivery on a

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project. Interest is 2.5 percent computed on 30 June and 31 December of each year on the amount drawn to date.

October 1961 Economic agreement with Communist China provided for a \$30 million line of credit. Apparently some \$20 million of this will be used for constructing of textile mills.

Terms: Repayments are to be made in 12 years beginning 2 years after a project is completed. Interest is at 2 percent calculated from date of delivery. Payments are to be in pounds sterling or other free currency.

May 1962 Military agreement with the USSR provided for the delivery of additional aircraft and naval equipment.

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Indonesia's Repayment Burden to Sino-Soviet Bloc - Economic, 1962-1975

	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
Total	<u>11.39</u>	<u>13.64</u>	<u>14.31</u>	<u>13.90</u>	<u>13.51</u>	<u>11.18</u>	<u>9.19</u>	<u>7.81</u>	<u>7.57</u>	<u>7.36</u>	<u>7.05</u>	<u>5.72</u>	<u>2.49</u>	<u>1.42</u>
Principal	8.05	10.24	11.09	11.06	11.03	9.07	7.38	6.23	6.23	6.23	6.16	5.04	2.03	1.00
Interest	3.34	3.40	3.22	2.84	2.48	2.11	1.81	1.58	1.34	1.13	.89	.67	.46	.42
USSR	<u>2.24</u>	<u>3.25</u>	<u>4.37</u>	<u>4.29</u>	<u>4.22</u>	<u>4.14</u>	<u>4.06</u>	<u>3.98</u>	<u>3.89</u>	<u>3.83</u>	<u>3.74</u>	<u>2.55</u>	<u>2.49</u>	<u>1.42</u>
Principal	1.12	2.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15	2.03	2.03	1.00
Interest	1.12	1.10	1.22	1.14	1.07	.99	.91	.83	.74	.68	.59	.52	.46	.42
Poland	<u>4.82</u>	<u>4.66</u>	<u>4.51</u>	<u>4.36</u>	<u>4.21</u>	<u>4.06</u>	<u>3.91</u>	<u>3.76</u>	<u>3.61</u>	<u>3.46</u>	<u>3.31</u>	<u>3.16</u>		
Principal	3.01	3.01	3.01	3.01	3.01	3.01	3.01	3.01	3.01	3.01	3.01	3.01		
Interest	1.81	1.65	1.50	1.35	1.20	1.05	.90	.75	.60	.45	.30	.15		
Communist China	<u>1.32</u>	<u>1.29</u>	<u>1.26</u>	<u>1.23</u>	<u>1.20</u>	<u>1.18</u>	<u>1.15</u>							
Principal	1.32	1.29	1.26	1.23	1.20	1.18	1.15							
Interest														
East Germany	<u>1.5</u>													
Principal	1.5													
Interest														
Hungary	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>
Principal	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Interest														
Czechoslovakia	<u>2.79</u>	<u>4.37</u>	<u>4.10</u>	<u>3.95</u>	<u>3.81</u>	<u>1.73</u>								
Principal	2.38	3.72	3.60	3.60	3.60	1.66								
Interest	.41	.65	.50	.35	.21	.07								

(Million US dollars)

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