SUMMARY

Throughout history, it has been shown that certain states, although they borrowed significantly abroad, were not faced with difficulties in debt servicing, while others remained insolvent for decades even though their external debt was relatively small. This is also the reason why in world historiography, thorough research of specific economic and political structures within certain indebted countries has been carried out for years in order to explain borrowing patterns as well as the ways in which debts within the changed state structures were returned. The monograph before you is dedicated to the results of one such research and represents a rare example of illustrating the work of interwar Yugoslav economic diplomacy, through solving the fate of Serbian government debts within the newly established Kingdom of Serbs, Croats and Slovenes. After the First World War, debt rescheduling did not only occur due to late payments, but also due to much more important issues: the currency of the loans and the terms of their further repayment. Until now, the attention of the scientific community was focused on the Serbian state debts of the Kingdom of Serbia, but the period related to the fate of these debts after the establishment of the Kingdom of SCS/Yugoslavia eluded them. As the debts of the Kingdom of Serbia taken out in France constituted two-thirds of all Serbian foreign loans, the topic of our book gains particular importance if it is taken into account that the Kingdom of SCS continued to repay the foreign loans of the Kingdom of Serbia placed in France.

It was done with devalued paper French francs, which led to a major monetary dispute between the French porters of Serbian government bonds and the Kingdom of SCS, precisely in terms of currency and terms of further repayment.

In an effort to present as precisely as possible the process by which the negotiations took place and by which the so-called *Paris Compromise* has been reached, the manuscript is divided into seven chapters. Each chapter discusses a specific segment of this complex issue, which at the same time affected not only the economic, but also the diplomatic and political relations of the two countries. Thus, after the "Introductory Notes" in which a brief overview of Serbian government bonds placed on the French financial market during the second half of the 19th and the beginning of the 20th century was given, the first chapter entitled "The Franc and the Dinar before and after the war" is devoted to the analysis of the monetary chaos that arose after the end of the First World War. The issues of war reparations along with the return to the gold standard and the establishment of the Bank for International Settlements represent an important framework within which the currency issue was resolved. That is why the task of this chapter was to facilitate an easier understanding of the deeper causes of the outbreak of the monetary dispute between the two parties in 1924.

The second chapter, entitled "The Damaged French Porters", provides a detailed account of the fate of the bondholders during the 19th century, with particular reference to the French bondholders and how they banded together to protect their interests. It covers the period before and after the First World War, when French porters received state

support, which was reflected in increasingly specific diplomatic pressures, as detailed in the archives of the Ministry of Finance of the Kingdom of SHS.

The third chapter entitled "Special Agreement on Arbitration" and the fourth, entitled "Diplomatic Attempts at Pre-Judgment Settlement" form the backbone of this monograph. These chapters describe the events that, after more than two years of attempts by the French government to force the Kingdom of SCS to adopt the proposal of the Association of French Porters, led both parties to decide to resolve this monetary dispute with the help of international arbitration. The famous political and economic actors of the history of the Kingdom of SCS are illuminated from a completely new angle, this time in the role of negotiators regarding the most important state-financial and monetary issues. Research has shown that their knowledge, experience and professional maturity played an important role in the conclusion of the *Paris Compromise,* i.e. special agreement on arbitrage reached on April 19th 1928, which was supposed to provide satisfaction to the bondholders and at the same time be bearable for the finances of the Kingdom of SCS. Since, on the basis of the *Paris Compromise*, it was agreed that the Permanent Court of International Justice in The Hague would determine whether the Kingdom of SCS would continue to repay Serbian debts in paper French francs or in gold francs and, in that respect, should the concessions be made by the French porters or the government of the Kingdom of SCS, the fifth chapter of this monograph entitled "The Dispute before the Permanent Court of International Justice in The Hague" is devoted in detail to the argu-

ments of both parties to the dispute as well as the judgment itself. Also, no less important were the separate opinions of internationally recognized judges, which represent an excellent illustration of the negotiating skills of the Yugoslav side, but also the reasons why the Court ultimately accepted the position of the French side in this dispute.

With the ruling of the Permanent Court of International Justice of July 12th 1929, which ordered that the debts on Serbian loans must be expressed in gold francs, the first phase of the implementation of the *Paris Compromise* was completed. After the Court decision, the second phase of the implementation of the *Paris Compromise* began, so the sixth chapter of this monograph entitled "Negotiations on Settlement" refers to the negotiations of diplomatic representatives of the Kingdom of SCS with representatives of French porters on the conditions for regulating the debts of the Kingdom of Serbia. The chapter included the phase of "secret negotiations" during which different interests surfaced regarding the terms of the settlement between the French Ministry of Foreign Affairs and the new Prime Minister Aristide Briand on the one hand, and porters, big banks and the French Ministry of Finance on the other. It turned out that the French Ministry of Foreign Affairs was willing to accommodate the royal government as much as possible in the negotiations, while the porters, the big banks and the French Ministry of Finance defended the interests of French big capital.

The seventh and last chapter of the book entitled "Compromise on the Regulation of Serbian Government Debts" talks about the dangers of interrupting these negotiations at the moment when King Aleksandar suspended the Con-

stitution and dissolved the Parliament i.e. introduced a dictatorship, as well as ways to avoid a more serious diplomatic dispute. At the same time, it deals with the process that led to the negotiations being brought to an end on April 5th, 1930, when the Kingdom of Yugoslavia committed to the French government and the porters that through the established debt rescheduling, they would repay this debt in the next 45 years. Special attention is paid here to echoes in the Yugoslav and French public as well as reactions to the new loan that the Kingdom of Yugoslavia took from France less than a month after the end of these negotiations.

The "Epilogue" of the book presents the reasons why the royal government already decided in 1932 to temporarily suspend all payments in foreign currency and ask creditors to reduce the burden of repaying all loans, enter into new negotiations and make new agreements. Theoretical models of international lending in the presence of default impose the logical conclusion that countries that have not fulfilled their financial obligations may lose access to the capital market. These models are built on the assumption that default damages the debtor country's reputation and destroys its ability to borrow further, while countries that regularly service their debt enjoy continued access to international capital markets. It turns out that this assumption is contradicted by historical evidence, so states that regularly paid off their debts during certain periods of crisis did not later enjoy more favorable access to the credit market. In fact, in the times when the international capital market shut down, both regular payers and insolvent debtors suffered equally. The example of the restructuring of the for-

eign debt of the Kingdom of Yugoslavia at the time of the Great Depression testifies to this fact. Thanks to the reduction in the outflow of foreign currency in the name of paying off the foreign debt, the Yugoslav state finances did not collapse at that time, and were fully stabilized before the Second World War.