

AWARDS MIXED CLAIMS COMMISSION, UNITED STATES
AND GERMANY

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

REPORT OF THE SECRETARY OF THE TREASURY RELATIVE TO
THE PROPOSED AGREEMENT AND EXCHANGE OF NOTES WITH
GERMANY FOR THE FINAL DISCHARGE OF OBLIGATIONS TO
THE UNITED STATES WITH RESPECT TO THE AWARDS MADE
BY THE MIXED CLAIMS COMMISSION

JANUARY 6 (calendar day, MARCH 4), 1930.—Read; referred to the Com-
mittee on Finance, and ordered to be printed

To the Congress of the United States:

I am submitting herewith for your consideration a copy of the report of the Secretary of the Treasury regarding the proposed agreement and exchange of notes with Germany for the complete and final discharge of the obligations of that Government to the United States with respect to the awards made by the Mixed Claims Commission, United States and Germany, and for the costs of this Government's army of occupation.

The plan of settlement has my approval, and I recommend that the Congress enact the necessary legislation authorizing it.

HERBERT HOOVER.

THE WHITE HOUSE, March 4, 1930.

TREASURY DEPARTMENT,
Washington, March 3, 1930.

MY DEAR MR. PRESIDENT: I have the honor to submit the following report regarding the terms of the proposed agreement for the complete and final discharge of the obligations of Germany to the

United States in respect of the costs of the United States army of occupation and the awards of the Mixed Claims Commission, United States and Germany.

Under the terms of the armistice convention signed November 11, 1918, and of the treaty signed at Berlin August 25, 1921, Germany is obligated to pay to the United States the costs of the United States army of occupation and the awards made in favor of the United States Government and its nationals by the Mixed Claims Commission, United States and Germany, established in pursuance of the agreement of August 10, 1922. The United States has had no direct arrangement with Germany for the liquidation of these obligations.

Under the terms of the treaty of Versailles Germany undertakes to make compensation for all damage done to the civilian population of the allied and associated powers and to their property during the war. The treaty provides for the establishment of a reparation commission as the agency of the allied and associated governments for determining the amount to be paid by Germany on this account, collecting the payment thereof, and distributing it among the creditor powers. The United States has not been represented upon nor participated in the reparation commission. In this connection reference is made to the reservation by the Senate in its resolution advising and consenting to the ratification of the treaty restoring friendly relations signed by the United States and Germany at Berlin August 25, 1921.

The reparation commission fixed the liability of Germany at 132,000,000,000 gold marks. By 1924 it became apparent that Germany was unable to meet the required payments, and accordingly in that year the powers entitled to reparations, but not including the United States, on August 30, 1924, signed at London an agreement under the terms of which the so-called Dawes plan was finally adopted. This limited the treaty payments to be made to the allied and associated powers by Germany to certain fixed annuities increasing gradually to 2,500,000,000 gold marks for the year ended August 31, 1929, the first so-called standard year, which annuity was to be continued for an indeterminate period and was to be supplemented, under certain conditions, by additional payments based on a so-called index of prosperity.

On January 14, 1925, representatives of the powers signatory to the London agreement together with representatives of the United States signed what is known as the Paris agreement, which allocated the Dawes annuities among the creditor governments concerned. This agreement allocated to the United States an annuity of 55,000,000 gold marks beginning September 1, 1926, on account of Army costs and an annuity equivalent to 2¼ per cent of all receipts from Germany available for reparation payments, not to exceed 45,000,000 gold marks in any one year, for account of the awards of the Mixed Claims Commission. Up to August 31, 1929, the United States received each year the amounts stipulated under this agreement.

It was not within the competence of the Dawes committee to fix the number of annuities Germany should pay and thus permit a final and definite settlement of German reparations. The Dawes committee merely attempted, therefore, a settlement temporary in character designed to restore economic stability and confidence and which would, at the appropriate time, facilitate a final agreement.

In 1928 the principal interested Governments (Germany, Belgium, France, Great Britain, Italy, and Japan) agreed to set up a committee of independent financial experts to be intrusted with the task of drawing up proposals for the complete and final settlement of the reparation problem. Germany and the reparation commission appointed a committee including two American citizens of whom one, Mr. Owen D. Young, was subsequently elected chairman of the committee. The so-called Young plan is the report which this committee rendered under date of June 7, 1929.

As a result of the Young committee's reappraisal of Germany's capacity to pay, it recommended annuities smaller than the standard annuity of 2,500,000,000 gold marks in force under the Dawes plan. Beginning with 742,800,000 reichsmarks in the seven months ending March 31, 1930, which are considered as the first Young-plan year, the annuity is 1,707,900,000 reichsmarks in the year ending March 31, 1931, and increases gradually to the maximum of 2,428,800,000 reichsmarks in the year ending March 31, 1966, or an average of 1,988,800,000 reichsmarks (\$473,732,160) for the 37 years and continues at about 1,600,000,000 to 1,700,000,000 reichsmarks for an additional 22 years. These annuities were calculated as inclusive of payments to the United States, and in an annex to the plan dealing with the allocation of the annuities the United States was allocated annuities averaging 66,100,000 reichsmarks for the first 37 years and a fixed annuity of 40,800,000 reichsmarks for 15 years thereafter. While the annex does not fix the amounts to be allocated respectively to mixed claims and Army costs, the Secretary of State and I recommend that a fixed annuity of 40,800,000 reichsmarks for 52 years be allocated to the payment of awards of the Mixed Claims Commission and that an average annuity of 25,300,000 reichsmarks for the first 37 years be allocated to the satisfaction of Army costs. After taking into consideration the payments which have been received on account of Army costs and a 10 per cent reduction in the total amount originally due on this account, the average annuity above recommended for allocation to Army costs will be sufficient to pay the balance remaining with interest at about 3½ per cent per annum on that portion of the payments postponed beyond the period when payment would have been received under the Dawes plan. In order to bring Germany's payments within the limit of that country's capacity to pay as determined by the committee of experts, it was necessary for the creditors to compromise their claims. On this basis the Young plan contemplated a reduction of 10 per cent in the Army costs accounts of Great Britain, France, and the United States.

As a substitute for all of the agencies heretofore set up for the collection and distribution of reparation payments, the Young plan proposed the creation of the Bank for International Settlements. This bank is to receive, distribute, and assist in the mobilization of German reparation payments.

The Young plan with some modifications was formerly adopted by representatives of all the interested powers at The Hague in January, 1930, and the settlement there reached is now awaiting ratification by the governments and the enactment of certain necessary legislation by the German Parliament.

The United States has at all times maintained a detached position with respect to the European reparation question and the claims of

the United States against Germany, except definite accounts, like Army costs, have been determined independently by an international judicial commission on which Germany was equally represented. The United States has not participated in the determination either of the total reparations payable by Germany under the treaty of Versailles (total of 132,000,000,000 marks as notified to Germany in May, 1921) or of the percentages of distribution fixed by the principal creditor powers in 1920 (the so-called Spa percentages).

Both the Secretary of State and I have felt that the position steadfastly adhered to by our Government was a sound one and that there was no justification at this late date for involving our country in the responsibilities of collecting and distributing reparation payments, which adoption of the Young plan would necessitate. Very obviously we could not avail ourselves of the machinery provided for by the Young plan and at the same time refuse to accept any of the responsibilities.

We have, however, a very direct interest in the recommendations made by the experts' committee. That committee undertook not only to fix the annuities to be paid by Germany in full discharge of its obligations but to allocate the amounts to be paid to the several creditor nations. As already stated, the amount allocated to the United States is an average annuity of 66,100,000 reichsmarks for 37 years and a fixed annuity of 40,800,000 reichsmarks for 15 years thereafter. The United States is, of course, under no legal obligation to accept these sums as representing the total amount which it is to receive from Germany on account of Army costs and mixed claims, but as a practical matter, since the report of the experts' committee was a proposal definitely fixing the limits of the total amounts to be paid by Germany, any claim on our part to increase our share would necessarily involve a readjustment of the shares to be received by all other nations. Since, in view of all the circumstances, the concessions asked of us do not seem to be disproportionate to the concessions made by other creditors, and in view of the relatively small amount of our claim as compared with the total amounts, there is in my opinion no justification for the refusal on our part to accept the annuities recommended by the experts' committee.

Apart from a minor arrangement providing for the realization by the United States of its 2½ per cent share in German payments under the Dawes plan, the United States has never had an agreement with Germany for liquidating the Army costs and the awards of the Mixed Claims Commission. As an approximate estimate of these awards can now be made and the settlement of war claims act of 1928 has determined the method of paying them, an agreement regulating and funding the German obligations is not only possible and desirable but necessary in view of our decision not to avail ourselves of the machinery provided by the Young plan for the collection of the payments to be made by Germany to the United States. Such an agreement has been negotiated, subject to the granting by the Congress of authority for its execution. It conforms closely to precedents established in our other debt agreements with foreign Governments and is transmitted herewith for submission to the Congress if it meets with your approval.

The details of the proposed agreement attached hereto require no special comment. It differs from this Government's previous debt

agreements primarily in that the obligation is expressed in reichmarks rather than in dollars and the bonds evidencing the obligation are not in negotiable form.

With the exception of the already mentioned 10 per cent reduction on the Army costs account, the proposed agreement involves no reduction in the principal amount to be paid by Germany. It does involve an extension of Germany's payments over a longer period than would have been required had the Dawes plan arrangements continued to function without interruption. Fifty-five million marks a year would have paid the Army costs in about 15 years. The proposed agreement extends the payment over 37 years with 3½ per cent interest on postponed payments. Forty-five million marks per annum would have paid the mixed claims awards in about 44 years. It is estimated that 40,800,000 marks per annum will pay them in about 52 years with interest which generally is at the rate of 5 per cent.

The security for the payments is the full faith and credit of Germany.

On every occasion the United States has expressly reserved its rights under existing treaties and agreements, thus preserving intact the rights of the Congress to dispose of this matter. The time has now come to reach an agreement providing for the final payment and discharge of these outstanding claims.

With this in view, it is suggested that legislation be sought from the Congress authorizing the Secretary of the Treasury with the approval of the President to enter into an agreement with Germany in general terms as set forth in the attached form of agreement and exchange of notes.

The execution of the agreement and the exchange of notes, if authorized, will, of course, be conditional on the coming into operation of the Young plan as accepted by The Hague Conference in substitution for the Dawes plan which is still legally in force. The proposed agreement will be retroactive to September 1, 1929, and Germany will be credited for its payments since then as set forth in the draft of notes to be exchanged simultaneously with the execution of the agreement.

Faithfully yours,

A. W. MELLON,
Secretary of the Treasury.

The PRESIDENT,
The White House.

AGREEMENT

Made the — day of —, 19—, at the City of Washington, District of Columbia, between the Government of the German Reich, hereinafter called Germany, party of the first part, and the Government of the United States of America, hereinafter called the United States, party of the second part.

Whereas Germany is obligated under the provisions of the Armistice Convention signed November 11, 1918, and of the Treaty signed at Berlin, August 25, 1921, to pay to the United States the awards, and interest thereon, entered and to be entered in favor of the United States Government and its nationals by the Mixed Claims Commis-

sion, United States and Germany, established in pursuance of the Agreement of August 10, 1922; and

Whereas, the United States is also entitled to be reimbursed for the costs of its Army of Occupation; and

Whereas, Germany having made and the United States having received payments in part satisfaction on account of these two obligations desire to make arrangements for the complete and final discharge of said obligations;

Now, therefore, in consideration of the premises and the mutual covenants herein contained, it is agreed as follows:

1. *Amounts to be Paid.*—(a) Germany shall pay and the United States shall accept in full satisfaction of all of Germany's obligations remaining on account of awards, including interest thereon, entered and to be entered by the Mixed Claims Commission, United States and Germany, the sum of 40,800,000 reichsmarks for the period of September 1, 1929, to March 31, 1930, and the sum of 40,800,000 reichsmarks per annum from April 1, 1930, to March 31, 1981. As evidence of this indebtedness, Germany shall issue to the United States at par, as of September 1, 1929, bonds of Germany, the first of which shall be in the principal amount of 40,800,000 reichsmarks, dated September 1, 1929, and maturing March 31, 1930, and each of the others of which shall be in the principal amount of 20,400,000 reichsmarks, dated September 1, 1929, and maturing serially on September 30, 1930, and on each succeeding March 31 and September 30 up to and including March 31, 1981. The obligations of Germany hereinabove set forth in this paragraph shall cease as soon as all of the payments contemplated by the Settlement of War Claims Act of 1928 have been completed and the bonds not then matured evidencing such obligations shall be canceled and returned to Germany.

(b) Germany shall pay and the United States shall accept in full reimbursement of the amounts remaining due on account of the costs of the United States Army of Occupation, the amounts set forth on the several dates fixed in the following schedule:

March 31—		March 31—Continued	
1930.....	R. M. 25, 100, 000	1955.....	R. M. 17, 650, 000
1931.....	12, 750, 000	1956.....	17, 650, 000
1932.....	12, 650, 000	1957.....	17, 650, 000
1933.....	12, 650, 000	1958.....	17, 650, 000
1934.....	9, 300, 000	1959.....	17, 650, 000
1935.....	9, 300, 000	1960.....	17, 650, 000
1936.....	9, 300, 000	1961.....	17, 650, 000
1937.....	9, 300, 000	1962.....	17, 650, 000
1938.....	8, 200, 000	1963.....	17, 650, 000
1939.....	8, 200, 000	1964.....	17, 650, 000
1940.....	9, 300, 000	1965.....	17, 650, 000
1941.....	9, 300, 000	1966.....	17, 650, 000
1942.....	12, 650, 000	September 30—	
1943.....	12, 650, 000	1930.....	R. M. 12, 750, 000
1944.....	12, 650, 000	1931.....	12, 650, 000
1945.....	12, 650, 000	1932.....	12, 650, 000
1946.....	12, 650, 000	1933.....	9, 300, 000
1947.....	12, 650, 000	1934.....	9, 300, 000
1948.....	12, 650, 000	1935.....	9, 300, 000
1949.....	12, 650, 000	1936.....	9, 300, 000
1950.....	17, 650, 000	1937.....	8, 200, 000
1951.....	17, 650, 000	1938.....	8, 200, 000
1952.....	17, 650, 000	1939.....	9, 300, 000
1953.....	17, 650, 000	1940.....	9, 300, 000
1954.....	17, 650, 000	1941.....	12, 650, 000

September 30—Continued.		September 30—Continued.	
1942	R. M. 12, 650, 000	1954	R. M. 17, 650, 000
1943	12, 650, 000	1955	17, 650, 000
1944	12, 650, 000	1956	17, 650, 000
1945	12, 650, 000	1957	17, 650, 000
1946	12, 650, 000	1958	17, 650, 000
1947	12, 650, 000	1959	17, 650, 000
1948	12, 650, 000	1960	17, 650, 000
1949	17, 650, 000	1961	17, 650, 000
1950	17, 650, 000	1962	17, 650, 000
1951	17, 650, 000	1963	17, 650, 000
1952	17, 650, 000	1964	17, 650, 000
1953	17, 650, 000	1965	17, 650, 000

As evidence of this indebtedness, Germany shall issue to the United States at par, as of September 1, 1929, bonds of Germany, dated September 1, 1929, and maturing on March 31, 1930, and on each succeeding September 30 and March 31 in the amounts and on the several dates fixed in the preceding schedule.

2. *Form of Bonds.*—All bonds issued hereunder to the United States shall be payable to the Government of the United States of America and shall be signed for Germany by The Reichsschuldenverwaltung. The bonds issued for the amounts to be paid under Paragraph numbered 1 (a) of this Agreement shall be issued in 103 pieces with maturities and in denominations corresponding to the payments therein set forth and shall be substantially in the form set forth in "Exhibit A" hereto annexed and shall bear no interest, unless payment thereof is postponed pursuant to Paragraph numbered 5 of this Agreement. The bonds issued for the amounts to be paid under Paragraph numbered 1 (b) of this Agreement shall be issued in 73 pieces with maturities and in denominations corresponding to the payments therein set forth and shall be substantially in the form set forth in "Exhibit B" hereto annexed and shall bear no interest unless payment thereof is postponed pursuant to Paragraph numbered 5 of this Agreement.

3. *Method of Payment.*—All bonds issued hereunder shall be payable both principal and interest, if any, at the Federal Reserve Bank of New York for credit in the general account of the Treasurer of the United States in funds immediately available on the date when payment is due in United States gold coin in an amount in dollars equivalent to the amount due in reichsmarks, at the average of the middle rates prevailing on the Berlin Bourse, during the half monthly period preceding the date of payment. Germany undertakes to have the Reichsbank certify to the Federal Reserve Bank of New York on the date of payment the rate of exchange at which the transfer shall be made. Germany undertakes for the purposes of this Agreement that the reichsmark shall have and shall retain its convertibility into gold or devisen as contemplated in Section 31 of the present Reichsbank law and that for these purposes the reichsmark shall have and shall retain a mint parity of 1/2790 kilogram of fine gold as defined in the German coinage law of August 30, 1924.

4. *Security.*—The United States hereby agrees to accept the full faith and credit of Germany as the only security and guaranty for the fulfilment of Germany's obligations hereunder.

5. *Postponement of Payment.*—Germany, at its option, upon not less than ninety days' advance notice in writing to the United States, may postpone any payment on account of principal falling due as

hereinabove provided, to any subsequent September 30 and March 31 not more than two and one-half years distant from its due date, but only on condition that in case Germany shall at any time exercise this option as to any payment of principal, the two payments falling due in the next succeeding twelve months cannot be postponed to any date more than two years distant from the date when the first payment therein becomes due unless and until the payments previously postponed shall actually have been made, and the two payments falling due in the second succeeding twelve months cannot be postponed to any date more than one year distant from the date when the first payment therein becomes due unless and until the payments previously postponed shall actually have been made, and further payments cannot be postponed at all unless and until all payments of principal previously postponed shall actually have been made. All payments provided for under Paragraph numbered 1 (a) of this Agreement so postponed shall bear interest at the rate of 5% per annum, payable semiannually, and all payments provided for under Paragraph numbered 1 (b) of this Agreement so postponed shall bear interest at the rate of 3% per annum, payable semiannually.

6. *Payments before Maturity.*—Upon not less than 90 days' advance notice in writing to the United States and the approval of the Secretary of the Treasury of the United States, Germany may, on March 31 or September 30 of any year, make advance payments on account of any bonds issued under this Agreement and held by the United States. Any such advance payments shall be applied to the principal of such bonds as may be indicated by Germany at the time of the payment.

7. *Exemption from Taxation.*—The principal and interest if any of all bonds issued hereunder shall be paid without deduction for, and shall be exempt from, any and all taxes or other public dues, present or future, imposed by or under authority of Germany or any political or local taxing authority within Germany.

8. *Notices.*—Any notice from or by Germany shall be sufficient if delivered to the American Embassy at Berlin or to the Secretary of the Treasury at the Treasury of the United States in Washington. Any notice, request or consent under the hand of the Secretary of the Treasury of the United States shall be deemed and taken as the notice, request or consent of the United States and shall be sufficient if delivered at the Germany Embassy at Washington or at the office of the German Ministry of Finance at Berlin. The United States in its discretion may waive any notice required hereunder, but any such waiver shall be in writing and shall not extend to or affect any subsequent notice or impair any right of the United States to require notice hereunder.

9. *Compliance with Legal Requirements.*—Germany and the United States, each for itself, represents and agrees that the execution and delivery of this Agreement have in all respects been duly authorized, and that all acts, conditions, and legal formalities which should have been completed prior to the making of this Agreement have been completed as required by the laws of Germany and of the United States respectively and in conformity therewith.

10. *Counterparts.*—This Agreement shall be executed in two counterparts, each of which shall be in the English and German languages, both texts having equal force, and each counterpart having the force and effect of an original.

In witness whereof, Germany has caused this Agreement to be executed on its behalf by its Ambassador Extraordinary and Plenipotentiary at Washington thereunto duly authorized, and the United States has likewise caused this Agreement to be executed on its behalf by the Secretary of the Treasury, with the approval of the President, pursuant to the Act of Congress approved _____ all on the day and year first above written.

THE GERMAN REICH
 By _____
Ambassador Extraordinary and Plenipotentiary
 THE UNITED STATES OF AMERICA
 By _____
Secretary of the Treasury

Approved: _____
President

EXHIBIT A

(Form of Bond)

THE GERMAN REICH

R. M. 20,400,000

No. —

The German Reich, hereinafter called Germany, in consideration of the premises and the mutual covenants contained in an agreement dated _____ between it and the United States of America, hereby promises to pay to the Government of the United States of America, hereinafter called the United States, on _____, the sum of Twenty Million Four Hundred Thousand Reichsmarks (R. M. 20,400,000). This bond is payable at the Federal Reserve Bank of New York in gold coin of the United States of America in an amount in dollars equivalent to the amount due in reichsmarks at the average of the middle rates prevailing on the Berlin Bourse during the half monthly period preceding the date of payment.

This bond is payable without deduction for, and is exempt from, any and all taxes and other public dues, present or future, imposed by or under authority of Germany or any political or local taxing authority within Germany.

This bond is issued pursuant to the provisions of paragraph numbered 1 (a) of an Agreement dated _____, between Germany and the United States, to which Agreement this bond is subject and to which reference is hereby made.

In witness whereof, Germany has caused this bond to be executed on its behalf by The Reichsschuldenverwaltung and delivered at the City of Washington, District of Columbia, by its Ambassador Extraordinary and Plenipotentiary at Washington, thereunto duly authorized, as of September 1, 1929.

FOR THE GERMAN REICH
 THE REICHSSCHULDENVERWALTUNG
 By _____
President

Member

EXHIBIT B

(Form of Bond)

THE GERMAN REICH

R. M. _____

No. —

The German Reich, hereinafter called Germany, in consideration of the premises and the mutual covenants contained in an agreement dated _____ between it and the United States of America, hereby promises to pay to the Government of the United States of America, hereinafter called the United States, on _____, the sum of _____ Reichsmarks (R. M. _____). This bond is payable at the Federal Reserve Bank of New York in gold coin of the United States of America in an amount in dollars equivalent to the amount due in reichsmarks at the average of the middle rates prevailing on the Berlin Bourse during the half monthly period preceding the date of payment.

This bond is payable without deduction for, and is exempt from, any and all taxes and other public dues, present or future, imposed by or under authority of Germany or any political or local taxing authority within Germany.

This bond is issued pursuant to the provisions of paragraph numbered 1 (b) of an Agreement dated _____, between Germany and the United States, to which Agreement this bond is subject and to which reference is hereby made.

In witness whereof, Germany has caused this bond to be executed on its behalf by The Reichsschuldenverwaltung and delivered at the City of Washington, District of Columbia, by its Ambassador Extraordinary and Plenipotentiary at Washington, thereunto duly authorized, as of September 1, 1929.

For THE GERMAN REICH

THE REICHSSCHULDENVERWALTUNG

By _____

*President.**Member.*

NOTES TO BE EXCHANGED BETWEEN GERMANY AND THE UNITED STATES SIMULTANEOUSLY WITH EXECUTION OF THE AGREEMENT FOR THE COMPLETE AND FINAL DISCHARGE OF THE OBLIGATIONS OF GERMANY TO THE UNITED STATES WITH RESPECT TO THE AWARDS MADE BY THE MIXED CLAIMS COMMISSION; UNITED STATES AND GERMANY, AND FOR THE COSTS OF THIS GOVERNMENT'S ARMY OF OCCUPATION.

The German Government (The Government of the United States) has the honor to set forth its understanding of paragraph numbered four of the Agreement executed this day between the United States and Germany in the following sense:

(a) In respect of the acceptance by the United States of the full faith and credit of Germany as the only security and guaranty for the fulfillment of Germany's obligations under the Agreement, Germany will be in the same position as the principal debtors of the

United States under the debt funding agreements which exist between them and the United States.

(b) Nothing contained therein shall be construed as requiring the United States to release any German property which it now holds other than as heretofore or hereafter authorized by the Congress of the United States.

The German Government (The Government of the United States) also desires to expressly recognize, so far as the Agreement executed this day between the United States and Germany is concerned, the prior rights of the holders of the bonds of the German External Loan as provided in the general bond securing the loan dated October 10, 1924.

The United States has received the sum of R. M. _____ and the sum of R. M. _____ on account of the bonds numbered one to be delivered under paragraphs numbered 1. (a) and 1. (b) respectively of the Agreement executed this day between the United States and Germany. The receipt of these amounts will be evidenced by an endorsement by the United States on the bonds on account of which the sums were received.

The Agreement executed this day between the United States and Germany is substituted for the direct arrangement providing for the realization by the United States of its 2¼ per cent share in German payments under the Experts' Plan of 1924.

