

# Calendar No 263

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SENATE

{ REPORT  
{ No. 97-189

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## CZECHOSLOVAKIAN CLAIMS SETTLEMENT ACT

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SEPTEMBER 14 (legislative day, SEPTEMBER 9), 1981.—Ordered to be printed

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Mr. DOLE, from the Committee on Finance,  
submitted the following

### REPORT

[To accompany S. 754, as amended]

The Committee on Finance to which was referred the bill (S. 754) to require that most-favored-nation-treatment be granted only to the products of countries which have not expropriated United States citizens' property without compensation therefor, reports favorably thereon, with amendment, and recommends that the bill as amended do pass.

#### I. SUMMARY

The Committee bill, as amended, would provide for the payment of awards and claims of certain U.S. nationals and the U.S. Government against the Government of Czechoslovakia for expropriated property. Payment of the claims would be made through the sale of gold belonging to the Government of Czechoslovakia which is physically located in the United States and investment of the proceeds of the sale in interest-bearing, income-producing investments. The interest and income earned as a result of these investments would be used to pay the awards and claims.

#### II. GENERAL EXPLANATION

*Claims against Czechoslovakia.*—In 1948, shortly after the Czechoslovak Communist Party seized power in a coup d'etat, the Government there nationalized and confiscated all foreign-owned property. Among the private foreign investment that was expropriated were land, buildings, factory equipment, and bank accounts belonging to American citizens—a few corporations, mainly individuals.

In 1958, pursuant to a law enacted that year, the Foreign Claims Settlement Commission reviewed claims by U.S. citizens against

Czechoslovakia, and thereafter certified claims of \$64 million plus interest to that date for a total of \$113.64 million. Because the Prague government had not taken any steps toward compensation, Czechoslovak-owned steel mill equipment in the United States was seized and liquidated and the proceeds, about \$8.5 million, were distributed among the Commission-certified claim holders.

Czechoslovakia today owes a balance of approximately \$105 million to more than 2,600 U.S. citizens who were issued awards by the Foreign Claims Settlement Commission from 1958 to 1962 under the terms of the earlier legislation. This takes no account of interest since 1958, nor does it take account of the claims of the U.S. Government on its own behalf (for U.S. Government property seized) against Czechoslovakia. Czechoslovakia owes additional sums on other U.S. citizen claims that have not yet been adjudicated.

When the original Czechoslovakian claims legislation was enacted in 1958, Congress urged Czechoslovakia to negotiate a settlement then. In 1974, Congress specifically rejected an agreement which had been negotiated with the Government of Czechoslovakia because it did not provide adequate compensation to the U.S. claimants, and directed that a new agreement be negotiated. Under section 408 of the Trade Act of 1974, P.L. 93-618, entitled "Payment by Czechoslovakia of Amounts Owed United States Citizens and Nationals" such an agreement would have to be approved by Congress. As of the date of Committee action on this bill, the Government of Czechoslovakia has failed to agree to a settlement of the claims for the expropriated property which the Administration was willing to recommend under section 408.

*Monetary gold under U.S. control.*—The Tripartite Commission for the Distribution of Monetary Gold composed of the United Kingdom, France, and the United States, after sorting through the various claims of the postwar European governments, determined that Czechoslovakia was entitled to almost 25 metric tons of gold that had been recovered from the Nazis, and the participating governments proceeded to transfer approximately 6 tons of the gold to Prague. At that point, in 1948, President Truman ordered that all Czechoslovak gold still in the possession of the United States be held until the government of Czechoslovakia provided fair compensation to those Americans whose property had been taken. Approximately 9 metric tons of gold remains in the Federal Reserve Bank of New York. Since 1948, the British Government has cooperated in this action by also holding 9.5 metric tons of gold belonging to Czechoslovakia.

*This bill.*—When S. 754 was introduced by Senator Moynihan, he announced his intention to propose amendments providing for payment of the claims. The purpose of this bill is to provide full compensation to all possible U.S. claimants, including the U.S. Government. As reported by the Committee on Finance the bill would do the following:

First, the Secretary of the Treasury would be authorized and directed to liquidate at the highest available prices the approximately

9 metric tons of gold belonging to the Government of Czechoslovakia which is physically located in the Federal Reserve Bank of New York.

Second, the proceeds of the liquidated gold would then be invested by the Secretary so as to yield the highest available return.

Third, that investment income periodically would be transferred by the Secretary to a Czechoslovakian Claims Fund in the Treasury for pro rata distribution to the American award holders until they are paid in full, with interest. After all U.S. citizens' claims are paid from the Fund, the U.S. Government would then be compensated for its own losses. The Foreign Claims Settlement Commission (FCSC) would be authorized to consider and certify awards against the claims of classes of persons whose claims were not previously certified under the 1958 act, and these claims would be satisfied out of the Fund as well. Compensation to this broader class of persons from the trust fund is justified now because of the refusal of the government of Czechoslovakia to provide adequate compensation as against those awards certified by the FCSC.

Fourth, after all outstanding claims and awards are paid in full, the balance of the liquidated gold proceeds would be released to Czechoslovakia. Thus, Czechoslovakia's debt to our citizens would be repaid and Czechoslovakia would ultimately recover the full value of its liquidated gold.

Fifth, once the gold is liquidated by the Secretary, Czechoslovakia would become eligible for further consideration for most favored nation trading status under the 1974 Trade Act. The liquidation would also make possible the release of additional gold belonging to Czechoslovakia which is physically located in the Bank of England, but which has heretofore been blocked by the United States.

### III. VOTE OF THE COMMITTEE IN REPORTING THE BILL

In compliance with Section 133 of the Legislative Reorganization Act of 1946, the committee states that the bill was ordered reported by voice vote.

### IV. BUDGETARY IMPACT OF THE BILL

In compliance with Section 252(a) of the Legislative Reorganization Act of 1970, Sections 308 and 403 of the Congressional Budget Act of 1974, and paragraph 11(a) of rule XXVI of the Standing Rules of the Senate, the following statement is made relative to the cost and budgetary impact of the bill. There would be no cost or budgetary impact of the bill.

### V. REGULATORY IMPACT OF THE BILL

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the committee states that the provisions of the committee bill will not regulate any individuals or businesses, will not impact adversely on the personal property of individuals, and will result in minimal additional paperwork.

## VI. CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, the changes in existing law made by the bill as reported are shown below (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman).

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## TRADE ACT OF 1974

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SEC. 408. [Payment by Czechoslovakia of amounts owed United States citizens and nationals.] *Eligibility of Czechoslovakia.*

[(a) The arrangement initiated on July 5, 1974, with respect to the settlement of the claims of citizens and nationals of the United States against the Government of Czechoslovakia shall be renegotiated and shall be submitted to the Congress as part of any agreement entered into under this title with Czechoslovakia.

[(b) The United States shall not release any gold belonging to Czechoslovakia and controlled directly or indirectly by the United States pursuant to the provisions of the Paris Reparation Agreement of January 24, 1946, or otherwise, until such agreement has been approved by the Congress.]

*Czechoslovakia shall not be qualified for further consideration under section 404 of this title, of its eligibility for negotiation and execution of a bilateral agreement and extension of nondiscriminatory treatment until liquidation and sale of gold belonging to Czechoslovakia as provided under section 103 of its Czechoslovakian Claims Settlement Act.*

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