

Calendar No. 1637

70TH CONGRESS }
2d Session }

SENATE

{ REPORT
No. 1608

SETTLEMENT OF INDEBTEDNESS OF THE HELLENIC REPUBLIC

JANUARY 31 (calendar day FEBRUARY 2), 1929.—Ordered to be printed

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

REPORT

[To accompany H. R. 10760]

The Committee on Finance, to whom was referred the bill (H. R. 10760) to authorize the settlement of the indebtedness of the Hellenic Republic to the United States of America, and of the differences arising out of the tripartite loan agreement of February 10, 1918, having considered the same, report it back to the Senate without amendment and recommend that the bill do pass.

Following is the House report on the bill:

[House Report No. 953, Seventieth Congress, first session]

The Committee on Ways and Means, to whom was referred the bill (H. R. 10760) to authorize the settlement of the indebtedness of the Hellenic Republic to the United States of America and of the differences arising out of the tripartite loan agreement of February 10, 1918, having considered the same, report it back to the House without amendment and recommend that the bill do pass.

The proposed settlement will assure to the United States the repayment in full over a period of 62 years of the existing indebtedness and the accrued and unpaid interest to January 1, 1928, on a basis which compares favorably with the settlements made by the World War Foreign Debt Commission with Italy and Yugoslavia and is substantially the same as the settlement of an indebtedness of like character between Greece and Great Britain.

The indebtedness arose by virtue of an agreement, dated February 10, 1918, under the terms of which the Governments of the United States, Great Britain, and France agreed to advance to the Greek Government by equal shares, not to exceed 750,000,000 francs. Great Britain having advanced the equivalent of approximately \$31,826,910, under this agreement and the sum advanced by the United States being \$15,000,000, which with interest to January 1, 1928, at 5 per cent, amounts to \$19,659,836, it results that Great Britain advanced under the terms of the agreement \$12,167,000 more than the United States. In order for the United States to secure as favorable a settlement as provided in the Greco-British agreement, it seems that in all fairness, the United States should advance the \$12,167,000 to put it on a par with Great Britain.

The present proposed settlement is based on the very definite proposition that while the United States have a right to demand that Greece settle with us on as favorable terms as those accorded Great Britain, the United States on its part would certainly expect not to fall short of any other nation in carrying out the terms of an agreement entered into in common, or to deal less fairly or generously with Greece than Great Britain actually has. The plan of settlement, therefore, involves the advance to Greece by the United States of \$12,167,000, which Greece undertakes to repay over a period of 20 years with interest at 4 per cent per annum. The repayment of both principal and interest is to be amply secured through the pledge of Greek revenues under the administration of the International Financial Commission. It is provided that the entire amount of this advance shall be used for the highly humanitarian work of the Refugee Settlement Commission, which, by its organic articles, must always be under the leadership of an American.

In the winter of 1927, Great Britain, France, and the United States considered it urgently necessary that Greece should greatly increase her fighting strength in order to bring pressure to bear on the Central Powers along the eastern front. To enable Greece to lend the required assistance, the United States, Great Britain, and France concluded with Greece the tripartite loan agreement of February 10, 1918. Under the agreement, Greece was to expend immediately 750,000,000 francs of its own resources for the payment of soldiers, sailors, and other local military expenses. The United States, France, and Great Britain were to open on their books, in equal shares, credits to the Greek Government amounting to 750,000,000 francs, which were to support the bank notes issued by the National Bank of Greece for these war expenditures. This promised advance of 750,000,000 francs for soldiers, sailors, and local military expenses was in addition to an advance by France and Great Britain to Greece of 600,000,000 francs for munitions and supplies. During the war the United States, Great Britain, and France were not to make actual advances of the credits unless the foreign balance of the Greek treasury and the National Bank of Greece fell below 100,000,000 francs, but six months after the conclusion of peace, the balance of these credits was to be available to Greece without any restriction. Thus the agreement expressly provides for advances to Greece subsequent to the conclusion of peace.

Relying upon the undertaking of the United States, Great Britain, and France Greece actually spent the full 750,000,000 francs for the purposes specified in the tripartite loan agreement. She was thus enabled to put 250,000 men in the field, increasing her army from three divisions to nine and, as shown by the following time table of events, secured the urgently desired victory on the eastern front which played such an important part in the ultimate success of the allied cause:

1. February 10, 1918. Agreement by the United States, Great Britain, and France to loan 750,000,000 francs to Greece.

2. Throughout the winter and spring of 1918 the Greek Army was reorganized and reequipped and on the Macedonian front Greek troops gradually replaced British and French troops recalled to the western front, until the new Greek Army had been so greatly increased that it represented the largest allied contingent.

3. May 20, 1918. The new Greek Army was successfully tested out in battle in the attack on Skra-di-Legen.

4. September 15, 1918. Beginning of the allied offensive on the Macedonian front, which culminated in the decisive allied victory. The allied armies were composed of 9 Greek divisions, 8 French, 5 Serbian, 4 British, and 1½ Italian. Both Franchet d'Esperey (commander in chief of the allied armies in Macedonia) and General Milne declared that the Greek Army had proved a decisive factor in the victory. The British general said: "Without the aid of the Greek forces, the present victory could not have been obtained."

5. September 29, 1918. Armistice signed between the Entente Allies and Bulgaria.

Says General Ludendorff: "There were no illusions about the seriousness of the situation created by the collapse of Bulgaria." (Ludendorff's Own Story, Vol. II, p. 369.)

Count Burian, Minister for Foreign Affairs for Austria and Hungary (1915-1917 and 1918) declares:

"Fate took its course. When the Balkan Army with the newly enrolled Greek troops developed a strong offensive, the Bulgarian troops fled. A terrible experience for the veteran army accustomed to victory, it was a shattering blow, not only to the weakening morale of the other armies in the field, but also to the morale of the people at home. * * *

"In dealing with the military situation, the Central Powers took steps to establish a new shortened front against the advance of the Entente troops through Serbia. In this they were not successful, as the following days soon showed. Nothing could now check the unrestrained development of events within the monarchy and Germany, which now took their headlong course, under the influence of a kind of panic that everything had been lost." (Austria in Dissolution, Burian, p. 395.)

October 30, 1918. Armistice signed between the Entente Allies and Turkey.

The United States, therefore, received the full consideration contemplated by the 1918 agreement. It has been urged that subsequent events, from a legal standpoint, relieved the United States from making any further advances. All of these arguments are of a technical legal character and the Greek Government is so convinced of the soundness of its position that it has from the first been ready to submit the question to arbitration.

The matter can not be summarized better than was done by the Secretary of the Treasury in his statement before this committee.

Even admitting that Greece was guilty of infractions of the letter of the agreement, such as to relieve us from a strict legal standpoint, of any further obligation, there remains nevertheless, a moral obligation which should not be ignored, particularly when we consider that we have received in full the consideration originally contemplated and that the infractions of the agreement occurred at a subsequent date. While these violations of the original agreement might well justify our refusal to recognize in full its existing validity, there would nevertheless remain the moral factor, which should be recognized in the concluding of a new agreement. This is in effect what we are doing by granting to Greece those credits which she needs at present for the humanitarian work of refugee settlement, and the granting of which the Greek Government admits will discharge in full any obligation that may have arisen by virtue of the 1918 agreement.

After a painstaking study of the entire record, my conclusion is that, while the events of the last 10 years may have modified and altered the nature of the original obligations, there nevertheless remains a commitment of a moral character of sufficient weight to justify our making an advance to Greece in the very moderate amount which the Greek Government now asks for, for the highly humanitarian purpose specified in this agreement. Greece on her part, recognizes her obligation by making a definite commitment as to the payment of her debt. Thus the agreement adjusts all differences between the two countries. Should it fail, these differences must remain unadjusted for years, a constant source of irritation, particularly as they will necessarily involve a feeling on both sides that something in the nature of a breach of faith is involved.

The settlement of the Greek debt will conclude, so far as is possible at this time, the funding of all the war debts owing to the United States. There will remain the debts of Armenia, Austria, and of Russia.

It should not be understood that it is admitted that Greece violated the agreement with the United States in any way. The claim that Greece did not live up to the agreement is based largely on the fact that it subsequently obtained a loan from Canada without obtaining the consent of this country. The circumstances with reference to this loan are fully set forth in the statement of the Secretary of the Treasury attached hereto and need not be repeated in this portion of the report. The majority of the committee does not believe that it constituted any violation of the agreement, and it is clear that our Government did not at the time so treat it. In any event it was merely a technical infraction that did not prejudice the interests of this country and the moral obligation still remains.

It is worthy of note that up to March 4, 1921, both the State Department and the Treasury Department were definitely of the opinion that our Government was under a strong moral and legal obligation to make further advances to the Greek Government. It thus appears that the administration, by whom the original agreement was negotiated, felt that the Greek Government had loyally fulfilled its part of the agreement and that the United States Government had received the consideration originally contemplated. The President, the Secretary of State, and the Secretary of the Treasury of the present administration unite in urging the Congress to grant authority to make the agreement outlined in the proposed bill. Thus the officers of two administrations charged with the responsibility of our foreign relations, after a thorough consideration of all the facts are agreed that the good faith of the United States Government is involved and that we are morally obligated. The committee after an examination of all the facts concurs with the views of the executive branch of the Government and believes that authority should be given to make the agreement contemplated in order that there may be no question as to our country living up to its obligations, whether they be legal or moral.

STATEMENT OF THE SECRETARY OF THE TREASURY BEFORE THIS COMMITTEE
FEBRUARY 15, 1928

The Secretary of State and the Secretary of the Treasury have for some months past conducted conversations with the Greek minister at Washington looking to the settlement of the indebtedness of the Greek Government to the Government of the United States, which as of January 1, 1928, amounted, principal and interest, to the sum of \$19,659,836. As a result of these conversations, a proposed plan of settlement was agreed to which was embodied in notes exchanged between the Secretary of State and the Greek minister at Washington on January 18, 1928. The President has recommended that the Congress authorize the Secretary of the Treasury to sign, with his approval, a definite agreement for the settlement of the Greek debt and of the difference arising out of the tripartite loan agreement of February 10, 1918, which legislation is now before your committee for consideration.

The indebtedness arose by virtue of an agreement dated February 10, 1918, under the terms of which the Governments of the United States, Great Britain, and France agreed to advance to the Greek Government, by equal shares, not to exceed 750,000,000 francs. The object of this agreement and the benefits to be derived by the United States were set forth in a letter from Secretary of the Treasury McAdoo to President Wilson dated December 8, 1917. A copy of this letter is attached as Exhibit A.

Quoting from a cable from Assistant Secretary Crosby, the letter pointed out that it was agreed that Greece should increase its active army from three divisions to at least nine divisions, which would require about 600,000,000 francs for

munitions and supplies for army and navy, and 750,000,000 francs for payment of soldiers and sailors, and other local military expenditures. France and Great Britain agreed to provide the munition and supplies fund. Conditioned upon their supplying this fund of 600,000,000 francs, the United States was to join with France and Great Britain in supplying the 750,000,000 francs. The cable further said:

"Colonel House and General Bliss join in recommending our joining in support of Greece in view of urgent military necessity and upon principle that we should join with Great Britain and France in supporting military programs of weaker nations whose military cooperation may be of aid in accomplishing desired victory, even though involving advance for expenditures outside our country."

The loan was approved by President Wilson under date of December 10, 1917. Under the agreement Greece was to expend 750,000,000 francs of its own resources for the above-mentioned purposes. The United States, France, and Great Britain were to open on their books in equal shares credits to the Greek Government amounting to 750,000,000 francs, against which credits the National Bank of Greece was to issue its bank notes. Actual advances on the credits were to be made during the war should the foreign balances of the Greek treasury and the National Bank of Greece fall below 100,000,000 francs, and in any event, to be immediately available six months after the conclusion of the peace.

Advances were to be subject to the approval of an interallied financial commission, composed of one representative from each of the signatory governments, and the use of funds was to be controlled by this commission and by a military commission similarly established. The reports of the American consul general at Athens, who represented the United States on this commission, showed that Greek expenditures under the agreement reached the total of 682,134,693.54 drachmae. One-third of that amount expressed in dollars aggregates \$43,883,998.62. Actually, Greece spent the full 750,000,000 francs, though owing to the failure of the interallied financial commission to meet, the balance of these expenditures was not formally checked.

What I want to emphasize at this point is that the United States Government on February 10, 1918, agreed to advance to the Greek Government one-third of 750,000,000 francs, providing the Greek Government expended that amount for war purposes, at a time when General Bliss stated it was an urgent military necessity. No one disputes that Greece actually spent the money for those war purposes. The United States has received, therefore, the full consideration contemplated by the agreement in so far as Greece is concerned.

In any event, upon the recommendation of the American delegate on the financial commission, credits to the amount of \$48,236,629.05 were established by the Treasury of the United States with the approval of President Wilson in favor of Greece, on the following dates:

June 20, 1918.....	\$15,790,000.00
Dec. 3, 1918.....	23,764,036.00
Mar. 25, 1919.....	3,858,930.00
July 31, 1919.....	4,823,663.05
	<hr/>
	48,236,629.05

At the same time the obligations of the Greek Government in these amounts, bearing interest at 5 per cent from the date advances were actually made, were received by our Government and are still held by us.

The first actual advance was made by our Government to Greece on December 15, 1919, the second on January 16, 1920, and the third on September 24, 1920. All told, we actually advanced \$15,000,000.

The Greek Government has consistently contended that it is entitled to further advances up to the full amount of the credits established by the Treasury of the United States. Both Secretary Houston and I, however, assured the Congress that no further advances would be made without bringing the matter to its attention. The whole problem was presented to the debt-funding commission in 1926. The commission took the position that events which transpired subsequent to November, 1920, from a legal standpoint relieved the United States from making any further advances. I may interject here, however, that I have submitted this proposed settlement to such members of the former debt-funding commission as are in Washington, namely, Secretary Kellogg, Secretary Hoover, Senator Smoot, and Representatives Burton and Crisp, and that with the exception of the latter all agree as to the advisability of making the agreement now before you. Up to the present time, however, this difference of opinion as to whether

6 SETTLEMENT OF INDEBTEDNESS OF THE HELLENIC REPUBLIC

further advances should be made or not, which existed between the Greek Government and our Government, has prevented the reaching of an agreement for the settlement of the indebtedness of the Government of Greece to the Government of the United States. It should be added that the Greek Government has been so convinced of the soundness of its position as to express its entire willingness to submit the question to arbitration.

After the Debt Funding Commission had failed to reach an agreement with the Greek debt commission in 1926, no further negotiations took place until the summer of 1927.

In April, 1927, the British and Greek Governments reached an agreement for the settlement of the indebtedness of the Greek Government to the British Government which had arisen under the terms of the agreement of February 10, 1918, Great Britain having advanced approximately £6,540,000 or \$31,826,910. Under the terms of this agreement the obligation is to be discharged over a period of 62 years, at a low rate of interest, and all claims for further advances under the 1918 agreement are waived by the Greek Government. Our Government notified the Greek Government that it expected as favorable treatment as that received by Great Britain. Subsequently, the Greek Minister received instructions from his government to take up the question of the settlement of the debt of his government to the United States, and conversations were begun between the Greek minister and representatives of the State and Treasury Departments.

Our position from the first was that the United States was entitled to as favorable a settlement as that accorded Great Britain. The Greek Government conceded the soundness of this contention, but pointed out that in order to enjoy as favorable a settlement as that accorded Great Britain, the United States Government should in fairness advance a sum as great as that advanced by Great Britain under the terms of the 1918 agreement. Great Britain having advanced the equivalent of approximately \$31,826,910, and the sum advanced by the United States Government being \$15,000,000, which with interest to January 1, 1928, at 5 per cent amounts to \$19,659,836, the amount of new money to be advanced by our Government in order to reach the amount advanced by Great Britain is \$12,167,074.

The basis of the present proposed settlement is the very definite proposition that while the United States have the right to demand that Greece should settle with us on as favorable terms as those given Great Britain, the United States on its part would certainly expect not to fall short of any other nation in carrying out the terms of an agreement entered into in common, or to deal less fairly and generously with Greece than Great Britain actually has.

Expressed generally, the terms of the proposed agreement are as follows:

1. The \$15,000,000 of principal owed by the Greek Government to the United States with interest at 4¼ per cent up to December 15, 1922, and on the amount then due with interest at 3 per cent to January 1, 1928, amounting in all to \$18,127,922.67, less the sum of \$2,922.67 to be paid in cash upon execution of the agreement, is to be funded over a period of 62 years. There are listed below the payments to be made by the Greek Government to the United States under this settlement:

July 1, 1928.....	\$20,000
Jan. 1, 1929.....	20,000
July 1, 1929.....	25,000
Jan. 1, 1930.....	25,000
July 1, 1930.....	30,000
Jan. 1, 1931.....	30,000
July 1, 1931.....	110,000
Jan. 1, 1932.....	110,000
July 1, 1932.....	130,000
Jan. 1, 1933.....	130,000
July 1, 1933, and semiannually thereafter to Jan. 1, 1938, 10 payments each of.....	150,000
July 1, 1938, and semiannually thereafter to Jan. 1, 1990, 104 payments each of.....	175,000

The funding of the existing indebtedness for a period of 62 years is in accord with our debt settlements with other countries. The proposed settlement compares favorably with the settlements made with Italy and Yugoslavia. The present value of the payments to be received under the proposed settlement, on a basis of 4 per cent per annum, payable semiannually, amounts to \$6,787,000,

SETTLEMENT OF INDEBTEDNESS OF THE HELLENIC REPUBLIC **7**

or about 34½ per cent of the original amount due. On the same basis, the Italian settlement represents 26½ per cent, the Yugoslav settlement 33 per cent, and the Belgian settlement 49 per cent.

2. The Greek Government is to forego all claims for further advances under the tripartite loan agreement dated February 10, 1918, which agreement, in so far as the Governments of the United States and Greece are concerned, is to be regarded as terminated.

3. The United States will advance to the Greek Government \$12,167,000 at 4 per cent per annum, payable semiannually, with provisions for a sinking fund to retire the loan in 20 years.

4. The service of this loan is to be administered and assured by the International Financial Commission. The Greek Government will furnish as securities for the new loan the revenues at present under the control of the International Financial Commission in so far as the yield of these revenues is not required for the service of the loans having a prior charge upon the said revenues. As of 1927, the excess of revenues at present under the control of the International Financial Commission over those required for the service of the loans having a prior charge, are estimated to amount to approximately \$28,000,000. Inasmuch as the annual service of the new loan, principal and interest, will amount to approximately \$889,500, it is obvious that the loan will be amply secured.

TABLE A.—*List of revenues controlled by the International Financial Commission*

1. RECEIPTS FROM THE OLD REVENUES ASSIGNED TO LOANS CONTROLLED BY COMMISSION

	1926		1927 (estimated)	
	Paper drachma	Dollars (0.013278)	Paper drachma	Dollars (0.013278)
A. Monopolies in old Greece:				
Salt.....	42,778,402	568,000	45,806,686	608,200
Oil.....	109,320,312	1,451,700	110,876,336	1,472,200
Matches.....	50,222,177	666,900	50,971,658	676,800
Playing cards.....	8,943,620	118,700	8,511,654	113,000
Cigarette paper.....	16,782,075	222,800	17,407,286	231,100
Naxos Emerl.....	24,099,788	320,000	21,299,048	282,800
	252,155,374	3,348,100	254,872,563	3,384,100
B. Old customs offices:				
Piræus.....	566,730,556	7,525,000	706,116,466	9,375,800
Laurium.....	810,460	10,800	709,248	9,400
Patras.....	67,289,305	893,500	64,061,894	1,248,000
Volo.....	49,682,976	659,700	65,779,160	873,400
Corfu.....	17,652,244	233,000	20,544,622	272,800
Salonica.....	302,765,962	4,020,100	428,836,390	5,694,100
Kavala.....	30,280,051	402,100	40,533,170	538,200
	1,035,111,644	13,744,200	1,356,580,850	18,012,600
C. Tobacco in old Greece.....	856,037,085	11,366,500	997,193,900	13,240,700
D. Stamp duty in old Greece.....	204,543,800	2,715,900	131,033,036	1,739,900
	1,060,580,885	14,082,400	1,128,226,936	14,980,600
Total.....	2,347,847,003	31,174,700	2,739,680,354	36,377,300

8 SETTLEMENT OF INDEBTEDNESS OF THE HELLENIC REPUBLIC

TABLE A.—*List of revenues controlled by the International Financial Commission—*
Continued

2. RECEIPTS FROM THE NEW REVENUES ASSIGNED TO THE REFUGEE LOAN

	1926		1927 (estimated)	
	Paper drachma	Dollars (0.013278)	Paper drachma	Dollars (0.013278)
A. Monopolies in new Provinces:				
Salt.....	36, 149, 831	480, 000	33, 778, 022	448, 500
Matches.....	30, 309, 285	402, 400	31, 839, 226	422, 800
Playing cards.....	2, 909, 614	39, 800	2, 878, 908	38, 200
Cigarette paper.....	4, 123, 532	54, 800	4, 330, 890	57, 500
	73, 582, 262	977, 000	72, 827, 106	967, 000
B. New customs offices:				
Canea.....	11, 315, 924	150, 300	13, 048, 584	173, 300
Candia.....	17, 061, 850	226, 500	18, 234, 800	242, 100
Samos.....	3, 858, 960	51, 200	5, 572, 340	74, 000
Chios.....	13, 466, 102	178, 800	17, 079, 356	226, 800
Mitylone.....	18, 600, 487	247, 000	21, 790, 794	289, 300
Syra.....	7, 935, 043	105, 400	11, 586, 838	153, 800
	72, 238, 372	959, 200	87, 312, 718	1, 159, 300
C. Tobacco in new Provinces.....	183, 161, 036	2, 432, 000	283, 854, 364	3, 769, 000
D. Stamp duty in New Provinces.....	97, 909, 910	1, 300, 000	85, 585, 900	1, 136, 400
E. Alcohol throughout Greece.....	223, 193, 507	2, 963, 600	347, 813, 672	4, 618, 300
	604, 264, 453	6, 695, 600	717, 253, 936	9, 523, 700
Total.....	650, 085, 087	8, 631, 800	877, 393, 760	11, 650, 000
Grand total (1 and 2).....	2, 097, 932, 990	39, 806, 600	3, 617, 074, 114	48, 027, 300

TABLE B.—*List of prior and contingent charges on revenue enumerated under*
Table A

1. LOANS UNDER CONTROL OF THE INTERNATIONAL FINANCIAL COMMISSION

Name of loan	Nominal amount, July 31, 1927		Annual service	
	<i>Gold francs</i>	<i>Dollars</i>	<i>Pounds</i>	<i>Dollars</i>
A. 1883—Guaranteed by 3 powers.....	41, 346, 011	7, 979, 800	12, 000	81, 900
B. Old debts in gold:				
5 per cent 1881.....	75, 733, 500	14, 616, 600	181, 068. 30	881, 200
5 per cent 1884.....	65, 903, 500	12, 719, 400	157, 695. 21	767, 400
4 per cent 1887 monopolies.....	101, 921, 000	19, 670, 800	194, 276. 01	945, 400
4 per cent 1889 rente.....	113, 395, 500	21, 885, 300	216, 929. 03	1, 055, 700
5 per cent 1890 Piræus-Larissa.....	43, 282, 000	8, 353, 400	103, 688. 18	504, 600
5 per cent 1893 funding.....	7, 011, 000	1, 353, 100	16, 800. 96	82, 100
C. New debts in gold:				
2½ per cent 1898 (guaranteed).....	78, 750, 000	15, 198, 800	217, 124. 28	1, 056, 600
4 per cent 1902 Greek Ry.....	54, 282, 000	10, 476, 400	89, 841. 95	437, 200
5 per cent 1914 (500,000,000) subject to issue of unissued portion of 164,926,000 francs; annual service charge of £345,000.	308, 200, 000	59, 482, 600	702, 067. 87	3, 416, 600
D. Debts in paper drachmæ:	<i>Drachmæ</i>		<i>Drachmæ</i>	
1885 patriotes.....	1, 266, 250	16, 800	45, 390	600
5 per cent 1898 (consolidated).....	71, 570, 000	950, 200	3, 901, 981	51, 800
5 per cent 1900 (Pyrgos-Meligala).....	10, 555, 000	140, 100	611, 794	8, 100
E. Compulsory issue of bank notes.....	40, 000, 000	631, 100		
F. Service of Salonica-Constantinople Ry. bonds.....	<i>French francs</i>	5, 620, 300	<i>French francs</i>	195, 500
	140, 825, 000		4, 997, 112	
G. Refugee loan 7 per cent, 1924.....	<i>Gold francs</i>	57, 882, 600	<i>Pounds</i>	4, 480, 700
	299, 910, 000		750, 532. 42	
H. Participation in Turkish debt (not yet determined but not to exceed for annual service charge 150 M drachmæ).....			<i>Drachmæ</i>	1, 892, 000
			150, 000, 000	
I. Ulen water loan 8 per cent, 1925.....	40, 500, 000	7, 816, 500	<i>Dollars</i>	1, 002, 500
			1, 002, 500	
		244, 593, 800		16, 960, 300

¹ And 600,000 French francs.

TABLE B.—List of prior and contingent charges on revenue enumerated under Table A—Continued

2. LOANS NOT UNDER THE CONTROL OF THE INTERNATIONAL FINANCIAL COMMISSION

Name of loan	Nominal amount, July 31, 1927		Annual service	
	Gold francs	Dollars	Pounds	Dollars
A. Debts in gold:				
5 per cent 1907 Def. Nat.....	14, 416, 000	2, 782, 300	48, 347. 53	235, 300
4 per cent 1910.....	95, 099, 000	18, 348, 300	184, 474. 58	897, 700
B. Debts in drachma:	<i>Drachma</i>		<i>Drachma</i>	
6 per cent 1917 (100 M).....	63, 958, 700	837, 300	8, 079, 910	107, 300
6 per cent 1918 (75 M).....	34, 420, 800	457, 000	5, 336, 651	70, 900
5 per cent 1920 (300 M).....	287, 898, 000	3, 822, 700	20, 426, 508	271, 200
C. Debt in dollars:	<i>Gold francs</i>		<i>Dollars</i>	
5 per cent Canadian.....	36, 900, 000	7, 121, 700	566, 875	566, 900
		33, 369, 300		2, 149, 300
Grand total charges for loans.....		277, 963, 100		19, 109, 300
Expenses of International Financial Commission.....	<i>Pounds</i>			123, 600
	25, 400			
Charges and expenses of Société de Régie.....	<i>Drachma</i>			827, 300
	62, 306, 787			
Total charges against revenue.....				20, 060, 200

Pound sterling=\$4.8665; gold franc=0.193; paper franc=0.0392; drachma=0.013278.

A. Receipts available:			
Estimated receipts from old revenues for 1927 assigned to loans controlled by International Financial Commission.....			\$36, 377, 300
Estimated receipts from new revenues for 1927 assigned to refugee loan of 1924.....			11, 650, 000
Total estimated receipts.....			48, 027, 300
B. Service of loans and expenses under control of the International Financial Commission:			
1. In sterling—			
Loan 1833.....	£12, 000		
Old debt in gold.....	870, 524		
New debt in gold.....	1, 009, 034		
Refugee loan.....	750, 582		
	2, 642, 140	\$12, 857, 900	
2. In dollars—			
Refugee loan.....		828, 000	
Ulen water loan.....		1, 002, 500	
3. In paper francs—			
Loan 1833.....francs.....	600, 000		
Bonds Salonica-Constantinople Ry.....francs.....	4, 997, 112		
	5, 597, 112	219, 400	
4. Debts in paper drachmas.....	4, 559, 135	60, 500	
5. Participation in Turkish debt (not to exceed 15M drachmas per annum).....	150, 000, 000	1, 992, 000	
6. Expenses of international Financial Commission.....	£25, 400	123, 600	
C. Service of loans and expenses not under control of International Financial Commission:			
1. In sterling.....	£232, 822	1, 133, 000	
2. In dollars.....		566, 900	
3. In paper drachmas.....	33, 843, 069	449, 400	
4. Charges and expenses of Societe de Regie drachmas.....	62, 306, 787	827, 300	
Total service charges and expenses.....			20, 060, 500
Surplus available for new loan.....			27, 966, 800

5. The proceeds of this loan are to be used entirely for the work of the Refugee Settlement Commission. Recent events in the Near East have involved for Greece a very considerable displacement of population. The total number of refugees added to the population of Greece amounts to about 1,500,000, or more than 30 per cent of the population. In 1923 there was organized by formal and official agreement, and according to the terms of a statute enacted by the Greek Legislature, the Refugee Settlement Commission, of which the chairman, according to the organic articles, must always be an American citizen. Mr. Henry Morgenthau was the first chairman; and Mr. Charles B. Eddy is now chairman. The task of this commission is to establish the refugees in productive work. In 1924 a loan of over \$50,000,000 was floated in the world markets for the purposes of the Refugee Settlement Commission. Great progress has been made, but much remains to be done to complete this humanitarian work. The proceeds of the \$12,167,000 loan to be made by the United States Government to the Greek Government are to be applied in their entirety to the work of the Refugee Settlement Commission.

The proposed settlement will assure to the United States the repayment in full over a period of 62 years of the \$18,125,000 to be funded. It will discharge what may fairly be considered a moral obligation resulting from the 1918 agreement by the advances of a sum of money to be wholly devoted to constructive work of great humanitarian as well as economic value, which loan will bear an adequate rate of interest and be amply secured by pledged revenue.

But the committee and the Congress may ask why they should vote to authorize a further advance to Greece when in a memorandum prepared for the debt funding commission considerable doubt is expressed as to the legal obligation of the United States to make further advances under the 1918 agreement in view of what had transpired since 1920? The legal points raised at that time may be summarized as follows:

(1) That France had failed to make any advances under the 1918 agreement, and that in 1921 Greece agreed to forego any further claims upon Great Britain, though it does not appear that this last-mentioned agreement was ever ratified by the Greek Legislature. It was suggested that the original agreement was a joint undertaking, and that the failure of France and Great Britain to live up in full to their share of the agreement would release the United States. The agreement, however, was to make advances in equal shares, and to say the least, it is very questionable whether such an agreement constituted a joint undertaking. To hold it to be a joint undertaking would be to admit that the United States was liable for the full amount of 750,000,000 francs, which, of course, was never contemplated.

(2) That under the terms of the 1918 agreement Greece undertook to use no new security for an exterior loan without the assent of the Governments of the United States, France, and Great Britain; whereas, in 1923 Greece funded a demand loan owed to the Canadian Government and undertook to assign to the service of the bonds the surplus of revenues received by the Greek Government from the International Financial Commission. The Greek Government contends that the mere earmarking of certain revenues to the service of a particular loan does not constitute giving new security, and contends that there was no need of obtaining the assent of the three countries in the case of the Canadian loan. It points out, furthermore, that the following year in the case of the refugee loan, where revenues were actually pledged, it did request and obtain the assent of our Government and that our Government evidently considered the agreement as still in effect at that time as its assent was given.

(3) That Greece ceased payment of interest on the \$15,000,000 advanced by the United States. The facts are that Greece continued to pay interest for a year after we had ceased making advances.

(4) That under the agreement made in 1919, under the terms of which Greece was to expend in this country all moneys advanced and to furnish bimonthly reports, Greece had failed to furnish adequate reports. There does not appear to be any dispute as to the funds having been expended in this country.

I do not deem it necessary to discuss these points in detail and from a legal standpoint. It is apparent that each and every one of them constitutes a legal defense which it is not too much to say is of a highly technical character. They furnish a field for interminable legal controversy, with probably a good legal argument whichever side of the question be taken.

I do not believe that our Nation should interpret its obligations under a contract to which it is a party on any such narrow basis, or be influenced in its decision by legal considerations of so technical a character. The question to be determined is, Did the United States undertake to make advances to the Greek Government provided the Greek Government expended a given sum of

money for war purposes? Did the Greek Government actually expend the funds for the purposes contemplated by the agreement? In other words, has the Greek Government fulfilled the essential parts of the original contract? The expenditure of the 750,000,000 francs for war purposes was the essential consideration received by us in return for our promise to make the advances. No one disputes that the expenditures were made for the purposes contemplated. It is clear, therefore, that the United States Government has received the consideration in return for which it undertook to make the advances.

We have steadfastly, and sometimes in the face of severe criticism, maintained the principle of sanctity of international obligations. When it comes to interpreting our own, we should not construe them too narrowly.

As Secretary Houston stated before a Senate committee:

"Well, I think if this Government made its commitment to do a certain thing during the war, for war purposes, and had a certain agreement, if the terms were complied with and they should come forward with a request for the advance, in strict compliance it would be bad faith not to make it."

Asked if he cited the Greek agreement with reference to the statement just made, Secretary Houston replied in the affirmative.

"I should find difficulty, myself, in refusing to comply with the commitments. If we made a commitment and they satisfy the terms of it, I do not see how we can refuse to comply with it. And, furthermore, to put it on the very lowest plane, I think it would be very bad business for this country to commence to fail to keep commitments, because we have very large amounts due us."

There is attached as Exhibit B certain extracts from the files of the Treasury Department, showing the position of our Government up to March 4, 1921.

Even admitting that Greece was guilty of infractions of the letter of the agreement such as to relieve us, from a strict legal standpoint, of any further obligation, there remains nevertheless a moral obligation which should not be ignored, particularly when we consider that we have received in full the consideration originally contemplated and that the infractions of the agreement occurred at a subsequent date. While those violations of the original agreement might well justify our refusal to recognize in full its existing validity, there would nevertheless remain the moral factor, which should be recognized in the concluding of a new agreement. This is in effect what we are doing by granting to Greece those credits which she needs at present for the humanitarian work of refugee settlement, and the granting of which the Greek Government admits will discharge in full any obligations that may have arisen by virtue of the 1918 agreement.

After a painstaking study of the entire record, my conclusion is that, while the events of the last ten years may have modified and altered the nature of the original obligations, there nevertheless remains a commitment of a moral character of sufficient weight to justify our making an advance to Greece in the very moderate amount which the Greek Government now asks for, for the highly humanitarian purpose specified in this agreement. Greece on her part recognizes her obligation by making a definite commitment as to the payment of her debt. Thus this agreement adjusts all differences between the two countries. Should it fail, these differences must remain unadjusted for years, a constant source of irritation, particularly as they will necessarily involve a feeling on both sides that something in the nature of a breach of faith is involved.

The settlement of the Greek debt will conclude, so far as is possible at this time, the funding of all the war debts owing to the United States. There will remain the debts of Armenia, Austria, and of Russia.

EXHIBIT A'

DEPARTMENT OF THE TREASURY,
Washington, December 8, 1917.

DEAR MR. PRESIDENT: I have received, through the State Department a cable from Assistant Secretary Crosby containing the following passage with reference to Greece:

"Referring to Greece Supreme War Council at Versailles. Meeting concluded, House voting affirmatively that it is of prime military importance that Venizelos should return to Greece. Satisfied with support Allies and asked Finance section of Inter-Allied Conference to prepare plan for such support. After prolonged conference following plan satisfactory to Venizelos and his Finance Minister Diomides is unanimously recommended to Governments of United States, France, and Great Britain Military requirements of Greece for coming year based on report of France Finance and Military Missions involving promptly increasing active army from present three divisions to at least nine divisions will require

about six hundred million francs for munitions and supplies for Army and Navy herein called munition and supplies fund and seven hundred fifty million francs for payment of soldiers and sailors and other local military expenditures, including certain arrears herein called military funds. France and Great Britain have agreed to provide munition and supply fund reserving for determination until after conclusion of peace extent and manner of their reimbursement by Greece in light of various considerations, including results of terms of peace to Greece. I have declined to recommend participation by the United States in this advance because of extent to which European political questions which do not concern us may be involved in ultimate settlement. Representatives of Great Britain and France recognize fairness of this position but may later urge that we share this burden. Conditioned upon this fund being supplied by France, Great Britain recommends that United States join with France and Great Britain in supplying military fund of seven hundred fifty million francs upon following terms: advances to be provided as required under supervision of military and financial commissions sitting at Athens, including representatives of United States, France, and Great Britain and Greece.

"I believe our present Minister and Military Attaché if there is one will be sufficient representation for us in commissions above mentioned. Advances to take form of credits in dollars, francs and sterling which will serve as basis for Greek banknotes, Greece to have right actually to draw against these credits during the War only in case balances abroad of Greek treasury and National Bank should fall below one hundred million francs. Six months after conclusion of peace credit can be drawn upon without restriction. The three Powers joining in advances are to receive Greek five per cent obligations loan fifteen years after cessation of hostilities Greece agreeing that no pledges shall be created in favor of any subsequent exterior loan without consent of three lending Governments. So long as and to extent that Greece does not draw against credits interest on obligations will be remitted. Obligations to be received by United States to contain special provisions meeting the requirements of our September law. Agreement contains other details for protection of lenders. Colonel House and General Bliss join in recommending our joining in support of Greece in view of urgent military necessity and upon principle that we should join with Great Britain and France in supporting military programs of weaker nations whose military cooperation important to aid in accomplishing desired victory even though involving advance for expenditures outside our country. If plan approved will agree upon precise amount dollar credit to represent our third in the aggregate advance herein for convenience expressed as seven hundred fifty million francs. Greek Minister at Washington will be authorized to sign obligations."

I am disposed to feel that, in view of the joint recommendation of Colonel House, General Bliss, and Mr. Crosby, that this be done, we should join with Great Britain and France and advance one-third of the 750,000,000 francs to Greece, although this does involve expenditures outside of our country. If you approve, may I ask that you indicate your approval upon this letter, carrying as it will the establishment of a credit for Greece of 250,000,000 francs, or approximately \$44,000,000 at the current rate of exchange.

Cordially yours,

W. G. McADOO, *Secretary.*

THE PRESIDENT,
The White House.

THE WHITE HOUSE, *December 10, 1917.*

Approved.

WOODROW WILSON.

EXHIBIT B

Under date of December 31, 1920, the Department of State wrote to Assistant Secretary Kelley of the Treasury Department:

"The President was informed by letter dated December 25, of the inquiry made by the Treasury. He has expressed his concurrence in the recommendation made by this department that the credit obligation negotiated with the Venizelos Government (referring to the credit of \$38,000,000) should be considered as still binding on this Government, and that the Greek chargé d'affaires, on proper application, should be recognized as representing the Government of King Constantine."

Under date of January 10, 1921, the Undersecretary of State, Norman H. Davis, wrote Senator Williams:

"If and when this Government extends recognition to King Constantine or continuous relations with the Greek Government, I do not see how the Treasury

can legally or morally cancel its obligation to complete the advance to Greece under the terms stipulated."

Under date of January 13, 1921, Assistant Secretary of the Treasury Kelley wrote to the State Department:

"I understand from Mr. Merle-Smith's reply of the 3d ultimo that the President has expressed his concurrence in the recommendation made by the Department of State that the financial arrangements made with the Greek Government early in 1918 should be considered as still binding on this Government."

Under date of January 14, 1921, the Undersecretary of State, Mr. Davis, wrote to Mr. Kelley:

"You are correct in your understanding of the President's views in respect of the financial arrangement with the Greek Government early in 1918."

On March 3, 1921, the last day of the Wilson administration, there was prepared by Assistant Secretary Kelley, who had been in charge of all foreign loans, a memorandum intending to inform the incoming administration as to the exact situation in respect of these loans, the policy of the department, and the obligations of the Government as viewed by the outgoing administration. In respect of the Greek loan, the memorandum of Mr. Kelley reads in part as follows:

"The Treasury is not in a position to complete any arrangements for further advances to Greece until the Department of State officially advises the Treasury that the present Chargé d'Affaires of the Greek Legation in Washington is the authorized person in charge of the legation with whom the Treasury may officially deal as having been accredited to this Government by the present King Constantine. After these advices are received, the Treasury is, in my opinion, bound to make advances to Greece in accordance with the agreement of 1918, and it would be wise, unless the Department of State shows reason to the contrary, for the Treasury to continue in accordance with the arrangements set out in Mr. Davis's letter of November 23, 1919, to the Greek Minister in Washington to make advances in installments as requested by the Greek Government."

As far as the Treasury Department files show, the United States Government never notified the Greek Government that it considered the 1918 agreement terminated until the State Department, by cable on December 6, 1924, advised our minister at Athens to inform the Greek Government that—

"It is not considered by the Government of the United States that it is under any further obligation under the 1918 agreement to make advances to Greece, and it is believed that in fairness and candor to the Greek Government, the latter should be informed of these views of the United States Government."

MESSAGE DATED FEBRUARY 6, 1928, FROM THE PRESIDENT OF
THE UNITED STATES TRANSMITTING A COPY OF THE REPORT OF
THE SECRETARY OF THE TREASURY

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 plan for the settlement of the debt owed by Greece to the United States and of the differences existing between the two Governments arising out of the tripartite loan agreement entered into at Paris under date of February 10, 1918.

The plan of settlement has my approval, and I recommend that the Congress enact the necessary legislation authorizing it for the following reasons:

It provides for the funding of the Greek war debt to our Government and for the settlement of the Greek claim for further advances under the tripartite loan agreement made during the war. While our Government is to advance some twelve millions to Greece, the loan is amply secured, is to be repaid over a period of 20 years at an adequate rate of interest, and is to be used exclusively for reconstruction work of great humanitarian as well as economic value. This loan discharges what the Greek Government has consistently contended is a legal and moral commitment of our Government.

CALVIN COOLIDGE.

THE WHITE HOUSE,
February 6, 1928.

TREASURY DEPARTMENT,
Washington, February 4, 1928.

MY DEAR MR. PRESIDENT: I have the honor to submit the following report regarding the terms of the proposed plan for the settlement of the debt owed by Greece to the United States and the differences existing between the two Governments arising out of the tripartite loan agreement entered into at Paris under date of February 10, 1918.

On January 1, 1928, the indebtedness of the Greek Government to the Government of the United States amounted, principal and interest at 5 per cent per annum, to the sum of \$19,659,836. The indebtedness arose by virtue of an agreement dated February 10, 1918, under the terms of which the Governments of the United States, Great Britain, and France agreed to advance to the Greek Government by equal shares not to exceed 750,000,000 francs. The object of this agreement was to aid the Greek Government in procuring in Greece the credits required for the conduct of Greece's military operations against the central powers. Advances were to be subject to the approval of an Interallied Financial Commission, composed of one representative from each of the signatory governments, and the use of the funds was to be controlled by this commission and by a military commission similarly established. The reports of the American consul general at Athens, who represented the United States on this commission, show that Greek expenditures under the agreement reached the total of 682,134,693.54 drachmae (the drachmae being equivalent at par to the gold franc). There is no doubt but that Greece expended for war purposes under the 1918 agreement an amount largely in excess of the advances she has since received.

Upon the recommendation of the American delegate on the Interallied Financial Commission, the Secretary of the Treasury, with the approval of President Wilson, established on the books of the Treasury the following credits in favor of Greece for which the Treasury holds the obligations of that Government:

	Amount
June 20, 1918.....	\$15,790,000.00
Dec. 3, 1918.....	23,764,036.00
Mar. 25, 1919.....	3,858,930.00
July 31, 1919.....	4,823,663.05
	48,236,629.05

Against these credits the Treasury made cash advances as follows:

	Amount
Dec. 15, 1919.....	\$5,000,000
Jan. 16, 1920.....	5,000,000
Sept. 24, 1920.....	5,000,000

All told, we advanced \$15,000,000, leaving credits amounting to \$33,236,629.05 remaining on the books of the Treasury. No further advances were made after the fall of the Greek Government in 1920, the incoming régime not being recognized by the United States for a considerable period of time. Meanwhile, the Greek Government committed certain acts which were construed by this Government as violations of the 1918 agreement. Secretary Houston stated to the Senate Committee on the Judiciary, and I assured the Committee on Ways and Means, that no further advances would be made to Greece without first submitting the matter to Congress.

The Greek Government has consistently contended that it was entitled to further advances up to the full amount of the credits established by the Treasury of the United States. On the other hand, the Government of the United States has taken the position that events which transpired subsequent to November, 1920, relieved it from making any further advances. This difference of opinion has heretofore prevented the reaching of an agreement for the settlement of the indebtedness of the Government of Greece to the United States.

In April, 1927, the British and Greek Governments reached an agreement for the settlement of the indebtedness of the Greek Government to the British Government which had arisen under the terms of the agreement of February 10, 1918, Great Britain having advanced approximately £6,540,000 or \$31,826,910. Under the terms of this settlement the obligation is to be discharged over a period of 62 years at a low rate of interest and all claims for further advances under the 1918 agreement were waived by the Greek Government. Shortly after the conclusion of the above-mentioned Greco-British settlement the Greek minister at Washington took up with the Departments of State and of the Treasury the question of reaching an agreement regarding the Greek indebtedness to the United States. The Greek Government refused to enter into any agreement for the funding of this indebtedness unless the matter of additional credits was considered at the same time. So strong are the Greek Government's conviction of its rights under the 1918 agreement that it has been willing at all times to submit the matter of additional credits to arbitration. In the conversations with the Greek minister, the British debt settlement with Greece was taken as a basis, our position being that the United States Government was entitled to as favorable a settlement as that accorded to Great Britain. The Greek Government conceded the soundness of this contention, but pointed out that in order to enjoy as favorable a settlement as that accorded to Great Britain the United States Government should in fairness advance a sum as great as that advanced by Great Britain under the terms of the 1918 agreement. Great Britain having advanced the equivalent of approximately \$31,826,910, and the sum advanced by the United States Government being \$15,000,000, which with interest to January 1, 1928, at 5 per cent, amounts to \$19,659,836, the amount of new money to be advanced by our Government in order to reach the amount advanced by Great Britain is \$12,167,074.

As a result of the conversations between the Greek minister and the Departments of State and of the Treasury, the Secretary of State and the Greek minister at Washington exchanged notes which set forth the terms of the proposed settlement. This proposed plan of settlement has been formally approved by the Greek Chamber of Deputies. Copies of the above notes, dated January 18, 1928, a copy of the Note No. 156 of the Greek minister, dated January 28, 1928, certifying the approval of the proposed plan by the Greek Chamber of Deputies, together with copies of the reply dated January 31, 1928, of the Secretary of State thereto, and of his letter, dated January 31, 1928, transmitting all these copies of documents to me, are inclosed. The terms of the proposed settlement are as follows:

1. The \$15,000,000 of principal owed by the Greek Government to the United States with interest at $4\frac{1}{4}$ per cent up to December 15, 1922, and on the amount then due with interest at 3 per cent to

16 SETTLEMENT OF INDEBTEDNESS OF THE HELLENIC REPUBLIC

January 1, 1928, amounting in all to \$18,127,922.67, less the sum of \$2,922.67 to be paid in cash upon execution of the agreement is to be funded over a period of 62 years. There are listed below the payments to be made by the Greek Government to the United States under this settlement:

July 1, 1928-----	\$20,000
Jan. 1, 1929-----	20,000
July 1, 1929-----	25,000
Jan. 1, 1930-----	25,000
July 1, 1930-----	30,000
Jan. 1, 1931-----	30,000
July 1, 1931-----	110,000
Jan. 1, 1932-----	110,000
July 1, 1932-----	130,000
Jan. 1, 1933-----	130,000
July 1, 1933, and semiannually thereafter to Jan. 1, 1938, 10 payments each of-----	150,000
July 1, 1938, and semiannually thereafter to Jan. 1, 1990, 104 payments each of-----	175,000

2. The Greek Government is to forego all claims for further advances under the tripartite loan agreement dated February 10, 1918, which agreement, so far as the United States and Greece are concerned, is to be regarded as terminated.

3. The United States will advance to the Greek Government \$12,167,000 at 4 per cent per annum, payable semiannually, with provisions for a sinking fund to retire the loan in 20 years.

4. The Greek Government undertakes to limit the amount to be borrowed under the terms of the Greek loan protocol signed at Geneva September 15, 1927, to an amount which when added to the proposed loan from the United States of \$12,167,000 will yield an effective sum equivalent to not more than £9,000,000 sterling.

5. The Greek Government will furnish as securities for the new loan described in paragraph 3 above, the revenues at present under the control of the International Financial Commission established by the law of February 26, 1898, in so far as the yield of these revenues is not required for the service of the loans having a prior charge upon the said revenues, as enumerated in Annex II to the Greek loan protocol signed at Geneva September 15, 1927. The loan described in paragraph 3 above, is to rank with and is to share the same securities as the loan approved by the Council of the League of Nations on September 15, 1927, and as set forth in the Greek loan protocol signed at Geneva September 15, 1927. In the event of there occurring in any year a default in the payment of the service of the new loan described in paragraph 3 above, the ratio in which that loan is to share the same securities as the loan set forth in the Greek loan protocol signed at Geneva September 15, 1927, shall be the same as that which the amount of the annual service charge due the United States bears to the amount of the annual service charge due the holders of the bonds issued in accordance with the above-mentioned Greek loan protocol as modified in amount by paragraph 4 above. The amounts required for the service of the loan described in paragraph 3 above shall be and remain a charge on the revenues above mentioned, ranking immediately after such prior charges upon the said revenues as were in existence on September 14, 1927, and as enumerated in Annex II of the Greek loan protocol, signed at Geneva September 15, 1927, and the Greek Government acknowledges that

such revenues shall stand charged accordingly. The Greek Government undertakes to have the service of the loan assured by the International Financial Commission. Subject to the obligations resulting from prior charges thereon, the revenues above mentioned shall be held and applied by the International Financial Commission for the purpose of meeting the periodical service of the loan and of making up any past defaults should they have occurred. The United States is to be under no obligation with respect to the proposed loan of \$12,167,000 until the Greek Government secures the above-mentioned assurance of the service of the loan by the International Financial Commission.

6. The \$12,167,000 proposed to be loaned by the United States to Greece shall be turned over in its entirety by the latter country to the Refugee Settlement Commission, to be expended by the said commission in the carrying out of its refugee settlement work.

The funding of the existing indebtedness over a period of 62 years is in accord with the terms of our debt settlements with the other countries. The proposed settlement compares favorably with the settlements made with Italy and Yugoslavia. The present value of the payments to be received under the proposed settlement on a basis of 4 per cent per annum, payable semiannually, amounts to \$6,787,000 or about 34½ per cent of the original amount due. On the same basis, the Italian settlement represents 26½ per cent, the Yugoslav settlement 33 per cent, and the Belgian settlement 49 per cent.

The proposed advance of \$12,167,000 by the United States to Greece is to bear interest at the rate of 4 per cent per annum, payable semiannually, with a sinking fund sufficient to retire the whole amount in 20 years. The annual service will amount to approximately \$889,500. The service of the loan is to be under the administration of the International Financial Commission and is to have as security the revenues at present under the control of the commission. For the year 1927 the estimated excess of revenues controlled by the commission over the sum required for the service of loans having prior charges amounts to the equivalent of approximately \$28,000,000.

The proceeds of this loan are to be used entirely for the work of the Refugee Settlement Commission. The 1,500,000 refugees that Greece was compelled to provide for, constituted an increase in its population of more than 30 per cent. The task which the Greek Government is now facing is that of establishing the refugees in productive work, which will add, of course, to the economic strength and resources of the country. To do this requires considerable capital. In 1924 a loan of over \$59,000,000 was floated in the world's financial markets for this purpose under the auspices of the League of Nations. It is provided in the fundamental articles of the Refugee Settlement Commission that the chairman of the commission shall always be an American citizen. The first chairman was Mr. Henry Morgenthau, who was succeeded by Mr. Charles P. Howland, who in turn was succeeded by the present chairman, Mr. Charles B. Eddy. Under their leadership great progress has been made, but much remains to be done to complete this great task, which is no longer in an experimental stage. It is a case of helping those who have shown determination to help themselves. It is to be noted that the rate of interest to be paid by Greece

on this proposed advance for refugee settlement work is slightly in excess of the average rate now being paid by the United States on its outstanding public debt.

The settlement of the Greek debt will conclude, so far as is possible, at this time, the funding of all the war debts owed to the United States. There will remain the debts of Armenia, where there is no government in existence; of Austria, in which case Congress authorized the extension of the time for the payment of principal and interest for a period of 20 years; and of Russia, where there is no government recognized by the United States.

In considering this settlement, I called together such former members of the World War Foreign Debt Commission as were in Washington and laid the proposed settlement before them for consideration. The members present were Messrs. Kellogg, Hoover, Smoot, Burton, Crisp, and myself. All, except Mr. Crisp, agreed that the settlement should be recommended to the Congress for approval.

I suggest, therefore, if the proposed settlement meets with your approval, that it be transmitted to Congress with your recommendation that legislation be enacted authorizing the concluding of an agreement with the Greek Government on the basis of the foregoing.

Faithfully yours,

A. W. MELLON,
Secretary of the Treasury.

The PRESIDENT,
The White House.

DEPARTMENT OF STATE,
Washington, January 31, 1928.

The SECRETARY OF THE TREASURY.

SIR: I have the honor to inclose a copy of each of the following documents:

(1) Note from the Greek minister at Washington to the Acting Secretary of State, dated January 18, 1928, setting forth the minister's understanding of the terms of the proposed plan for the settlement of the debt owed by Greece to the United States and of the differences existing between the two Governments arising out of the tripartite loan agreement entered into at Paris under date of February 10, 1918.

(2) Note from the Acting Secretary of State to the Greek minister at Washington, dated January 18, 1928, confirming the minister's understanding of the terms of the proposed plan of financial settlement between Greece and the United States.

(3) Note No. 156 of January 28, 1928 from the Greek minister at Washington to the Secretary of State informing the Secretary that the Greek Chamber of Deputies on January 27, 1928, unqualifiedly approved the proposed terms of financial settlement set forth in the notes exchanged between the Greek minister at Washington and the Acting Secretary of State on January 18, 1928.

(4) Note from the Secretary of State to the Greek minister at Washington, dated January 31, 1928, acknowledging the minister's note of January 28, 1928.

I have the honor to be, sir, your obedient servant,

FRANK B. KELLOGG.

LEGATION DE GRECE,
Washington, January 18, 1928.

H. E. Mr. ROBERT E. OLDS,
Acting Secretary of State, Washington, D. C.

EXCELLENCY: As a result of informal conversations which I have had with representatives of the Departments of State and of the Treasury, I have the honor to set forth my understanding of the terms of the proposed plan for the settlement of the debt owed by Greece to the United States and of the differences existing between the two Governments arising out of the tripartite loan agreement entered into at Paris under date of February 10, 1918.

Under the above-mentioned agreement there were set up on the books of the United States Treasury credits in the amount of \$48,236,629.05, against which the National Bank of Greece issued its notes for an equivalent amount and these were used by my Government for the payment of the costs it incurred in the prosecution of the war against the central powers.

During 1919 and 1920 cash advances in the aggregate amount of \$15,000,000 were made by the United States against the credits so established, leaving a balance of established credits on the books of the Treasury in favor of my Government amounting to \$33,236,629.05. The Treasury of the United States has refused to make further advances against this credit balance. As you are aware, my Government has consistently claimed that it is entitled to receive from the United States the full amount of the credit for \$48,236,629.05, for which Greek obligations are at present in the possession of the United States Treasury. So convinced, indeed, has my Government been of the justice of its claim that it would have been willing at any time to propose and accept arbitration. Nevertheless, because of the pressing need to secure immediately the funds necessary to complete the refugee settlement work, my Government is willing to forego these claims. The refugee problem is vital to Greece; her future is closely bound up with her ability to care for the one and a half million men, women, and children who sought refuge within her territories in 1922 and 1923. Much has been accomplished, but much remains to be done. Without additional financial assistance the work of the Refugee Settlement Commission must come to an end in the immediate future. The work of that commission has been carried on under the chairmanship, successively, of three distinguished Americans—Mr. Henry Morgenthau, Mr. Charles P. Howland, and Mr. Charles B. Eddy. To their devoted services Greece in general and the Greek refugees in particular owe more than can well be expressed in words. It is with these thoughts in mind that the Greek Government has authorized me to state that the proposed terms set forth below are acceptable to it:

1. The \$15,000,000 of principal owed by my Government to the United States with interest at $4\frac{1}{4}$ per cent up to December 15, 1922, and on the amount then due with interest at 3 per cent to January 1, 1928, amounting in all to \$18,127,922.67, less the sum of \$2,922.67 to be paid in cash upon execution of the agreement, is to be funded over a period of 62 years. There are listed below the payments to

be made by the Greek Government to the United States under this settlement:

July 1, 1928.....	\$20,000
Jan. 1, 1929.....	20,000
July 1, 1929.....	25,000
Jan. 1, 1930.....	25,000
July 1, 1930.....	30,000
Jan. 1, 1931.....	30,000
July 1, 1931.....	110,000
Jan. 1, 1932.....	110,000
July 1, 1932.....	130,000
Jan. 1, 1933.....	130,000
July 1, 1933, and semiannually thereafter to Jan. 1, 1938, 10 payments each of.....	150,000
July 1, 1938, and semiannually thereafter to Jan. 1, 1990, 104 payments each of.....	175,000

2. The Greek Government is to forego all claims for further advances under the tripartite loan agreement dated February 10, 1918, which agreement, so far as the United States and Greece are concerned, is to be regarded as terminated.

3. The United States will advance to the Greek Government \$12,167,000 at 4 per cent per annum, payable semiannually, with provisions for a sinking fund to retire the loan in 20 years.

4. The Greek Government undertakes to limit the amount to be borrowed under the terms of the Greek loan protocol signed at Geneva September 15, 1927, to an amount which when added to the proposed loan from the United States of \$12,167,000 will yield an effective sum equivalent to not more than £9,000,000 sterling.

5. The Greek Government will furnish as securities for the new loan described in paragraph 3 above, the revenues at present under the control of the International Financial Commission established by the law of February 26, 1898, in so far as the yield of these revenues is not required for the service of the loans having a prior charge upon the said revenues, as enumerated in Annex II to the Greek loan protocol signed at Geneva September 15, 1927. The loan described in paragraph 3 above, is to rank with and is to share the same securities as the loan approved by the Council of the League of Nations on September 15, 1927, and as set forth in the Greek loan protocol signed at Geneva, September 15, 1927. In the event of there occurring in any year a default in the payment of the service of the new loan described in paragraph 3 above, the ratio in which that loan is to share the same securities as the loan set forth in the Greek loan protocol signed at Geneva September 15, 1927, shall be the same as that which the amount of the annual service charge due the United States bears to the amount of the annual service charge due the holders of the bonds issued in accordance with the above mentioned Greek loan protocol as modified in amount by paragraph 4 above. The amounts required for the service of the loan described in paragraph 3 above, shall be and remain a charge on the revenues above mentioned, ranking immediately after such prior charges upon the said revenues as were in existence on September 14, 1927, and as enumerated in Annex II of the Greek loan protocol, signed at Geneva September 15, 1927, and the Greek Government acknowledges that such revenues shall stand charged accordingly. The Greek Government undertakes to have the service of the loan assured by the International Financial Commission. Subject to the

obligations resulting from prior charges thereon, the revenues above mentioned shall be held and applied by the International Financial Commission for the purpose of meeting the periodical service of the loan and of making up any past defaults should they have occurred. The United States is to be under no obligation with respect to the proposed loan of \$12,167,000 until the Greek Government secures the above-mentioned assurance of the service of the loan by the International Financial Commission.

6. The \$12,167,000 proposed to be loaned by the United States to Greece shall be turned over in its entirety by the latter country to the Refugee Settlement Commission, to be expended by the said commission in the carrying out of its refugee settlement work.

I am authorized to state that the Greek Government undertakes to submit the above terms immediately to the Chamber of Deputies with a view to securing its approval.

I shall be glad to receive your confirmation of the accuracy of my understanding of these terms.

Accept, excellency, the renewed assurance of my highest consideration.

CH. SIMOPOULOS.

DEPARTMENT OF STATE,
Washington, January 18, 1928.

MR. CHARALAMBOS SIMOPOULOS,
Minister of Greece.

SIR: I have the honor to acknowledge the receipt of your note of January 18, 1928, and to confirm your understanding of the terms of the proposed plan of financial settlement between Greece and the United States reached as a result of informal conversations which you have had with representatives of the Departments of State and of the Treasury. These terms as set forth in your note under acknowledgment are as follows:

1. The \$15,000,000 of principal owed by the Greek Government to the United States, with interest at 4½ per cent up to December 15, 1922, and on the amount then due with interest at 3 per cent to January 1, 1928, amounting in all to \$18,127,922.67, less the sum of \$2,922.67 to be paid in cash upon execution of the agreement, is to be funded over a period of 62 years. There are listed below the payments to be made by the Greek Government to the United States under this settlement:

July 1, 1928.....	\$20,000
Jan. 1, 1929.....	20,000
July 1, 1929.....	25,000
Jan. 1, 1930.....	25,000
July 1, 1930.....	30,000
Jan. 1, 1931.....	30,000
July 1, 1931.....	110,000
Jan. 1, 1932.....	110,000
July 1, 1932.....	130,000
Jan. 1, 1933.....	130,000
July 1, 1933, and semiannually thereafter to Jan. 1, 1938, 10 payments each of.....	150,000
July 1, 1938, and semiannually thereafter to Jan. 1, 1990, 104 payments each of.....	175,000

2. The Greek Government is to forego all claims for further advances under the tripartite loan agreement, dated February 10, 1918, which agreement, so far as the United States and Greece are concerned, is to be regarded as terminated.

3. The United States will advance to the Greek Government \$12,167,000, at 4 per cent per annum, payable semiannually, with provisions for a sinking fund to retire the loan in 20 years.

4. The Greek Government undertakes to limit the amount to be borrowed under the terms of the Greek loan protocol signed at Geneva September 15, 1927, to an amount which when added to the proposed loan from the United States of \$12,167,000 will yield an effective sum equivalent to not more than £9,000,000.

5. The Greek Government will furnish as securities for the new loan described in paragraph 3 above, the revenues at present under the control of the International Financial Commission established by the law of February 26, 1898, in so far as the yield of these revenues is not required for the service of the loans having a prior charge upon the said revenues as enumerated in Annex II to the Greek loan protocol signed at Geneva, September 15, 1927. The loan described in paragraph 3 above is to rank with and is to share the same securities as the loan approved by the council of the League of Nations on September 15, 1927, and as set forth in the Greek loan protocol signed at Geneva, September 15, 1927. In the event of there occurring in any year a default in the payment of the service of the new loan described in paragraph 3 above, the ratio in which that loan is to share the same securities as the loan set forth in the Greek loan protocol signed at Geneva, September 15, 1927, shall be the same as that which the amount of the annual service charge due the United States bears to the amount of the annual service charge due the holders of the bonds issued in accordance with the above-mentioned Greek loan protocol as modified in amount by paragraph 4 above. The amounts required for the service of the loan described in paragraph 3 above shall be and remain a charge on the revenues above-mentioned ranking immediately after such prior charges upon the said revenues as were in existence on September 14, 1927, and as enumerated in Annex II of the Greek loan protocol signed at Geneva, September 15, 1927, and the Greek Government acknowledges that such revenues shall stand charged accordingly. The Greek Government undertakes to have the service of the loan assured by the International Financial Commission. Subject to the obligations resulting from prior charges thereon, the revenues above-mentioned shall be held and applied by the International Financial Commission for the purpose of meeting the periodical service of the loan and of making up any past defaults should they have occurred. The United States is to be under no obligation with respect to the proposed loan of \$12,167,000, until the Greek Government secures the above-mentioned assurance of the service of the loan by the International Financial Commission.

6. The \$12,167,000 proposed to be loaned by the United States to Greece shall be turned over in its entirety by the latter country to the Refugee Settlement Commission to be expended by the said commission in the carrying out of its refugee settlement work.

I note your statement that you are authorized to say that these proposed terms are acceptable to the Greek Government which under-

takes to submit them immediately to the Chamber of Deputies with a view to securing its approval.

I have the honor to inform you that the proposed terms set forth in your note and recapitulated above are acceptable to the executive branch of the Government of the United States, and that the President upon the recommendation of the Secretary of State and of the Secretary of the Treasury will submit them to the Congress of the United States with a view to obtaining the necessary authorization from that body.

Accept, sir, the renewed assurances of my highest consideration.

ROBERT E. OLDS,
Acting Secretary of State.

No. 156.

LEGATION DE GRECE,
Washington, January 28, 1928.

EXCELLENCY: I am instructed by my Government to inform you that the Greek Chamber of Deputies having on January 27, 1928, unqualifiedly approved the proposed terms of financial settlement set forth in the notes which I exchanged with the Acting Secretary of State on January 18, 1928, the approval and acceptance of the said terms by the Greek Government is in all respects complete. I shall not fail to communicate to you in due course an authentic text of the instrument setting forth this approval as well as authorization in proper form for me to sign such instruments as may be necessary to give effect to the terms of the above-mentioned financial settlement.

Accept, excellency, the renewed assurance of my highest consideration.

CH. SIMOPOULOS,
Minister of Greece.

His Excellency Mr. FRANK B. KELLOGG,
Secretary of State, etc., etc., Washington, D. C.

DEPARTMENT OF STATE,
Washington, January 31, 1928.

SIR: I have received your note No. 156 of January 28, 1928, in which, under instructions from your Government, you inform me that the Greek Chamber of Deputies having on January 27, 1928, unqualifiedly approved the proposed terms of financial settlement set forth in the notes which you exchanged with the Acting Secretary of State on January 18, 1928, the approval and acceptance of the said terms by the Greek Government is in all respects complete.

I note your further statement that you will in due course communicate to me an authentic text of the instrument setting forth this approval as well as authorization in proper form for you to sign such instruments as may be necessary to give effect to the terms of the above-mentioned financial settlement.

Accept, sir, the renewed assurances of my highest consideration.

FRANK B. KELLOGG.

Mr. CHARALAMBOS SIMOPOULOS,
Minister of Greece.