

# Calendar No. 1342

69TH CONGRESS }  
2d Session }

SENATE

REPORT  
No. 1674

## SETTLEMENT OF THE INDEBTEDNESS OF THE KINGDOM OF THE SERBS, CROATS, AND SLOVENES

FEBRUARY 28, 1927.—Ordered to be printed

Mr. REED of Pennsylvania, from the Committee on Finance, submitted the following

### REPORT

[To accompany H. R. 11948]

The Committee on Finance, to whom was referred the bill (H. R. 11948) to authorize the settlement of the indebtedness of the Kingdom of the Serbs, Croats, and Slovenes, to the United States of America, having had the same under consideration, report it back to the Senate without amendment and recommend that the bill do pass.

Following is the report from the Committee on Ways and Means of the House on said bill:

[House Report No. 1357, Sixty-ninth Congress, first session]

The Committee on Ways and Means, to whom was referred the bill (H. R. 11948) to authorize the settlement of the indebtedness of the Kingdom of the Serbs, Croats, and Slovenes to the United States of America, having had the same under consideration, report it back to the House without amendment, and recommend that the bill do pass.

This bill unanimously reported, provides for the approval of the settlement of the indebtedness of the Kingdom of the Serbs, Croats, and Slovenes (Yugoslavia) to the United States made by the World War Foreign Debt Commission and approved by the President.

The amount of the indebtedness, as funded, is fixed at \$62,850,000, of which \$51,037,886.39 represents principal and \$11,812,113.61 the accrued interest. The total payments to be received are \$95,177,635. On a  $4\frac{1}{4}$  per cent basis, the present value of the payments is \$20,236,000, or about 32 per cent of the debt funded. On a 3 per cent basis, the value is \$30,286,000, or about 59 per cent of the principal amount of the debt.

The settlement provides that Yugoslavia will repay the principal of the indebtedness on a fixed schedule over the 62-year period with interest at specified rates after the twelfth year. The indebtedness bears no interest for the first 12 years, but provides payments of \$200,000 for the first 5 years, increasing \$25,000 a year during the succeeding 7 years, to be applied on account of the principal.

Yugoslavia is given the option of postponing after June 15, 1937, any payment on account of principal not more than two years distant from its due date to any subsequent June 15 or December 15,

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but on condition that in case Yugoslavia shall at any time exercise this option, the payment falling due in the second succeeding year can not be postponed at all unless and until the payments of principal due two years and one year previous thereto shall have been made. All postponed payments are to bear interest at the rate of  $4\frac{1}{4}$  per cent per annum payable semiannually.

Yugoslavia shall issue bonds for the indebtedness (funded) which shall bear no interest until June 15, 1937, and thereafter shall bear interest at the rate of one-eighth of 1 per cent per annum from June 15, 1937, to June 15, 1940; one-half of 1 per cent per annum from June 15, 1940, to June 15, 1954; 1 per cent per annum from June 15, 1954 to June 15, 1957; 2 per cent per annum from June 15, 1957, to June 15, 1960; and  $3\frac{1}{2}$  per cent per annum thereafter until paid.

Yugoslavia is also given the option of making any payment of interest or principal in obligations of the United States issued after April 6, 1917, such obligations to be taken at par and accrued interest to the date of payment.

### BASIS OF SETTLEMENT

As in previous settlements, the economic conditions governing the capacity of Yugoslavia to pay was the basis upon which the agreement was negotiated.

The Kingdom, which comprises the Provinces of North and South Serbia, Montenegro, Bosnia, Herzegovina, Dalmatia, Croatia, Slavonia, Medjumura, Slovenia, Vovvodina, and the islands of Krk (Veglia) and Kostave, has an area about equal to the States of Pennsylvania and New York combined. It is primarily an agricultural nation, about 80 per cent of its between 12,000,000 and 13,000,000 people being small landowning peasants, raising little more than enough food for their own needs, although less than one-half of its area, or about 28,000,000 acres, can be cultivated. About 30 per cent, or 18,700,000 acres, is in forest lands.

Because of the mountainous character of the land, the scarcity of natural resources, the small proportion of arable land, and the negligible industrial development (it is estimated that about 5 per cent of the people are engaged in industry), the economic development has been slow. The nation is relatively poor, and its standards of living are the lowest of any of our debtors. Taxation is high, and has reached the maximum limit.

The country was overrun and devastated several times during the war, and its railroad communications virtually destroyed. The work of reconstruction has been slow, the cost being met mainly from German reparations, and the railroad facilities have been only temporarily restored, there being no direct lines leading from the arable land in the northern part of the Kingdom to the points of consumption in the southwest.

It is felt, therefore, that the basis of the settlement is fair and just to both Yugoslavia and the United States.

The agreement, which this bill approves, was entered into on May 3, 1926, by the World War Foreign Debt Commission and Dr. George Djouritch, envoy extraordinary and minister plenipotentiary to the

Court of St. James and commissioner for the funding of the debt, and is subject to ratification in the Kingdom of the Serbs, Croats, and Slovenes.

OFFICIAL STATEMENTS ON SETTLEMENT

There is attached hereto a copy of the message of the President of the United States to Congress recommending approval of the settlement, which includes a copy of the agreement entered into between the two Governments for funding this indebtedness; also a copy of the statement of the Secretary of the Treasury made before the Committee on Ways and Means on May 20, 1926.

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES TRANSMITTING COPY OF AN AGREEMENT DATED MAY 3, 1926, EXECUTED BY THE SECRETARY OF THE TREASURY AS CHAIRMAN OF THE WORLD WAR FOREIGN DEBT COMMISSION, PROVIDING FOR THE SETTLEMENT OF THE INDEBTEDNESS OF THE KINGDOM OF THE SERBS, CROATS, AND SLOVENES TO THE UNITED STATES OF AMERICA

To the Congress of the United States:

I am submitting herewith for the consideration of the Congress a copy of an agreement dated May 3, 1926, executed by the Secretary of the Treasury as chairman of the World War Foreign Debt Commission, providing for the settlement of the indebtedness of the Kingdom of the Serbs, Croats, and Slovenes to the United States of America. The agreement was approved by me on May 3, 1926, subject to the approval of Congress, pursuant to authority conferred by act approved February 9, 1922, as amended by act approved February 28, 1923, and as further amended by act approved January 21, 1925.

I believe that the settlement upon the terms set forth in the agreement is fair and just to both Governments and recommend its approval.

CALVIN COOLIDGE.

THE WHITE HOUSE, May 5, 1926.

AGREEMENT,

Made the 3rd day of May, 1926, at the City of Washington, District of Columbia, between the Kingdom of the Serbs, Croats and Slovenes, party of the first part, and the United States of America, hereinafter called the United States, party of the second part.

Whereas, the Kingdom of the Serbs, Croats and Slovenes is indebted to the United States as of June 15, 1925, upon obligations in the aggregate principal amount of \$51,037,886.39, together with interest accrued and unpaid thereon; and

Whereas, the Kingdom of the Serbs, Croats and Slovenes desires to fund said indebtedness to the United States, both principal and interest, through the issue of bonds to the United States, and the United States is prepared to accept bonds from the Kingdom of the Serbs, Croats and Slovenes upon the terms hereinafter set forth;

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

1. Amount of indebtedness.—The amount of indebtedness to be funded after allowing for certain cash payments made or to be made by the Kingdom of the Serbs, Croats and Slovenes is \$62,850,000, which has been computed as follows:

Principal of obligations acquired for cash advanced under Liberty Bond Acts.....	\$26, 126, 574. 59	
Accrued and unpaid interest at 4½% per annum to December 15, 1922.....	4, 073, 423. 14	
		\$30, 199, 997. 78

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Principal of obligations acquired by Secretary of War for surplus war supplies sold on credit.....	\$24, 978, 020. 99	
Accrued and unpaid interest at 4¼ % per annum to December 15, 1922.....	3, 358, 790. 45	
		\$28, 336, 811. 44
Accrued interest at 3 % per annum from December 15, 1922, to June 15, 1925.....		58, 536, 809. 17
		4, 390, 260. 69
		62, 927, 069. 86
<b>Credits:</b>		
Payments on account of principal since December 15, 1922.....	\$66, 709. 19	
Interest thereon at 3 % to June 15, 1925.....	3, 248. 28	
		69, 957. 47
Total net indebtedness as of June 15, 1925.....		62, 857, 112. 39
To be paid in cash upon execution of agreement.....		7, 112. 39
		62, 850, 000. 00

2. *Payment.*—In order to provide for the payment of the indebtedness thus to be funded the Kingdom of the Serbs, Croats and Slovenes will issue to the United States at par bonds of the Kingdom of the Serbs, Croats and Slovenes in the aggregate principal amount of \$62,850,000, dated June 15, 1925, and maturing serially on the several dates and in the amounts fixed in the following schedule:

June 15—		June 15—	
1926.....	\$200, 000	1958.....	\$912, 000
1927.....	200, 000	1959.....	938, 000
1928.....	200, 000	1960.....	961, 000
1929.....	200, 000	1961.....	984, 000
1930.....	200, 000	1962.....	1, 018, 000
1931.....	225, 000	1963.....	1, 054, 000
1932.....	250, 000	1964.....	1, 090, 000
1933.....	275, 000	1965.....	1, 129, 000
1934.....	300, 000	1966.....	1, 168, 000
1935.....	325, 000	1967.....	1, 209, 000
1936.....	350, 000	1968.....	1, 251, 000
1937.....	375, 000	1969.....	1, 295, 000
1938.....	400, 000	1970.....	1, 340, 000
1939.....	450, 000	1971.....	1, 388, 000
1940.....	488, 000	1972.....	1, 436, 000
1941.....	524, 000	1973.....	1, 486, 000
1942.....	562, 000	1974.....	1, 538, 000
1943.....	604, 000	1975.....	1, 592, 000
1944.....	648, 000	1976.....	1, 648, 000
1945.....	697, 000	1977.....	1, 706, 000
1946.....	707, 000	1978.....	1, 765, 000
1947.....	718, 000	1979.....	1, 827, 000
1948.....	729, 000	1980.....	1, 891, 000
1949.....	746, 000	1981.....	1, 957, 000
1950.....	764, 000	1982.....	2, 026, 000
1951.....	782, 000	1983.....	2, 097, 000
1952.....	801, 000	1984.....	2, 170, 000
1953.....	820, 000	1985.....	2, 246, 000
1954.....	838, 000	1986.....	2, 324, 000
1955.....	855, 000	1987.....	2, 406, 000
1956.....	873, 000		
1957.....	892, 000		
		Total.....	62, 850, 000

PROVIDED, HOWEVER, That the Kingdom of the Serbs, Croats and Slovenes, at its option, upon not less than ninety days' advance notice to the United States, may postpone any payment on account of principal falling due as hereinabove provided, after June 15, 1937, to any subsequent June 15 or December 15 not more than two years distant from its due date, but only on condition that in

case the Kingdom of the Serbs, Croats and Slovenes shall at any time exercise this option as to any payment of principal, the payment falling due in the second succeeding year can not be postponed at all unless and until the payments of principal due two years and one year previous thereto shall actually have been made. All such postponed payments of principal shall bear interest at the rate of  $4\frac{1}{4}\%$  per annum payable semiannually.

3. *Form of Bond.*—All bonds issued or to be issued hereunder to the United States shall be payable to the Government of the United States of America, or order, and shall be signed for the Kingdom of the Serbs, Croats and Slovenes by its Minister at Washington, or by its other duly authorized representative. The bonds shall be substantially in the form set forth in the exhibit hereto annexed and marked "Exhibit A", and shall be issued in 62 pieces with maturities and in denominations as hereinabove set forth and shall bear no interest until June 15, 1937, and thereafter shall bear interest at the rate of  $\frac{1}{8}$  of 1% per annum from June 15, 1937, to June 15, 1940; at the rate of  $\frac{1}{2}$  of 1% per annum from June 15, 1940, to June 15, 1954; at the rate of 1% per annum from June 15, 1954, to June 15, 1957; at the rate of 2% per annum from June 15, 1957, to June 15, 1960, and at the rate of  $3\frac{1}{2}\%$  per annum after June 15, 1960, all payable semiannually on June 15 and December 15 of each year, until the principal thereof shall have been paid.

4. *Method of payment.*—All bonds issued or to be issued hereunder shall be payable, as to both principal and interest, in United States gold coin of the present standard of value, or, at the option of the Kingdom of the Serbs, Croats and Slovenes, upon not less than thirty days' advance notice to the United States, in any obligations of the United States issued after April 6, 1917, to be taken at par and accrued interest to the date of payment hereunder.

All payments, whether in cash or in obligations of the United States, to be made by the Kingdom of the Serbs, Croats and Slovenes on account of the principal of or interest on any bonds issued or to be issued hereunder and held by the United States, shall be made at the Treasury of the United States in Washington, or, at the option of the Secretary of the Treasury of the United States, at the Federal Reserve Bank of New York, and if in cash shall be made in funds immediately available on the date of payment, or if in obligations of the United States shall be in form acceptable to the Secretary of the Treasury of the United States under the general regulations of the Treasury Department governing transactions in United States obligations.

5. *Exemption from Taxation.*—The principal and interest of all bonds issued or to be 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 the Kingdom of the Serbs, Croats and Slovenes or any political or local taxing authority within the Kingdom of the Serbs, Croats and Slovenes, whenever, so long as, and to the extent that beneficial ownership is in (a) the Government of the United States, (b) a person, firm or association neither domiciled nor ordinarily resident in the Kingdom of the Serbs, Croats and Slovenes, or (c) a corporation not organized under the laws of the Kingdom of the Serbs, Croats and Slovenes.

6. *Payments before Maturity.*—The Kingdom of the Serbs, Croats and Slovenes, at its option, on June 15 or December 15 of any year, upon not less than ninety days' advance notice to the United States, may make advance payments in amounts of \$1,000 or multiples thereof, on account of the principal of any bonds issued or to be issued hereunder and held by the United States. Any such advance payments shall be applied to the principal of such bonds as may be indicated by the Kingdom of the Serbs, Croats and Slovenes at the time of the payment.

7. *Exchange for Marketable Obligations.*—The Kingdom of the Serbs, Croats and Slovenes will issue to the United States at any time, or from time to time, at the request of the Secretary of the Treasury of the United States, in exchange for any or all of the bonds issued hereunder and held by the United States, definitive engraved bonds in form suitable for sale to the public, in such amounts and denominations as the Secretary of the Treasury of the United States may request, in bearer form, with provision for registration as to principal, and/or in fully registered form, and otherwise on the same terms and conditions, as to dates of issue and maturity, rate or rates of interest, if any, exemption from taxation, payment in obligations of the United States issued after April 6, 1917, and the like, as the bonds surrendered on such exchange. The Kingdom of the Serbs, Croats and Slovenes will deliver definitive engraved bonds to the United States in accordance herewith within six months of receiving notice of any such request from the Secretary of the Treasury of the United States, and pending

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the delivery of the definitive engraved bonds will deliver, at the request of the Secretary of the Treasury of the United States, temporary bonds or interim receipts in form satisfactory to the Secretary of the Treasury of the United States within thirty days of the receipt of such request, all without expense to the United States. The United States, before offering any such bonds or interim receipts for sale in the Kingdom of the Serbs, Croats and Slovenes, will first offer them to the Kingdom of the Serbs, Croats and Slovenes for purchase at par and accrued interest, if any, and the Kingdom of the Serbs, Croats and Slovenes shall likewise have the option, in lieu of issuing any such bonds or interim receipts, to make advance redemption, at par and accrued interest, if any, of a corresponding principal amount of bonds issued hereunder and held by the United States. The Kingdom of the Serbs, Croats and Slovenes agrees that the definitive engraved bonds called for by this paragraph shall contain all such provisions, and that it will cause to be promulgated all such rules, regulations, and orders as shall be deemed necessary or desirable by the Secretary of the Treasury of the United States in order to facilitate the sale of the bonds in the United States, in the Kingdom of the Serbs, Croats and Slovenes or elsewhere, and that if requested by the Secretary of the Treasury of the United States, it will use its good offices to secure the listing of the bonds on such stock exchanges as the Secretary of the Treasury of the United States may specify.

8. *Cancellation and Surrender of Obligations.*—Upon the execution of this Agreement, the delivery to the United States of the principal amount of bonds of the Kingdom of the Serbs, Croats and Slovenes to be issued hereunder, together with satisfactory evidence of authority for the execution of this Agreement by the representative of the Kingdom of the Serbs, Croats and Slovenes and for the execution of the bonds to be issued hereunder, the United States will cancel and surrender to the Kingdom of the Serbs, Croats and Slovenes at the Treasury of the United States in Washington, the obligations of the Kingdom of the Serbs, Croats and Slovenes held by the United States.

9. *Notices.*—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 Legation of the Kingdom of the Serbs, Croats and Slovenes at Washington or at the office of the Ministry of Finance at Belgrade; and any notice, request or election from or by the Kingdom of the Serbs, Croats and Slovenes shall be sufficient if delivered to the American Legation at Belgrade or to the Secretary of the Treasury at the Treasury of the United States in Washington. 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.

10. *Compliance with Legal Requirements.*—The Kingdom of the Serbs, Croats and Slovenes 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 the Kingdom of the Serbs, Croats and Slovenes and in conformity therewith.

11. *Counterparts.*—This Agreement shall be executed in two counterparts, each of which shall have the force and effect of an original.

In witness whereof the Kingdom of the Serbs, Croats and Slovenes has caused this Agreement to be executed on its behalf by Dr. George Diouritch, its Envoy Extraordinary and Minister Plenipotentiary to the Court of St. James and Commissioner for the funding of the debt at Washington, thereunto duly authorized, subject, however, to ratification in the Kingdom of the Serbs, Croats, and Slovenes, and the United States has likewise caused this Agreement to be executed on its behalf by the Secretary of the Treasury, as Chairman of the World War Foreign Debt Commission, with the approval of the President, subject, however, to the approval of Congress, pursuant to the Act of Congress approved February 9, 1922, as amended by the Act of Congress approved February 28, 1923, and as further amended by the Act of Congress approved January 21, 1925, all on the day and year first above written.

THE KINGDOM OF THE SERBS, CROATS AND SLOVENES.  
By GEORGE DIOURITCH,  
THE UNITED STATES OF AMERICA,  
(For the World War Foreign Debt Commission):  
By ANDREW W. MELLON,  
*Secretary of the Treasury and Chairman of the Commission.*

Approved:

CALVIN COOLIDGE, *President.*

## EXHIBIT A.

(Form of Bond.)

## THE KINGDOM OF THE SERBS, CROATS AND SLOVENES.

§

No.

The Kingdom of the Serbs, Croats and Slovenes, for value received, promises to pay to the Government of the United States of America, hereinafter called the United States, or order, on June 15, 19 , the sum of Dollars (\$ ), and pay interest upon said principal sum after June 15, 1937, at the rate of  $\frac{1}{8}$  of 1% per annum from June 15, 1937, to June 15, 1940, at the rate of  $\frac{1}{2}$  of 1% per annum from June 15, 1940, to June 15, 1954, at the rate of 1% per annum from June 15, 1954, to June 15, 1957, at the rate of 2% per annum from June 15, 1957, to June 15, 1960, and at the rate of  $3\frac{1}{2}$ % per annum after June 15, 1960, all payable semiannually on the 15th day of December and June in each year, until the principal hereof shall have been paid. This bond is payable as to both principal and interest in gold coin of the United States of America of the present standard of value, or, at the option of the Kingdom of the Serbs, Croats and Slovenes, upon not less than thirty days' advance notice to the United States, in any obligations of the United States issued after April 6, 1917, to be taken at par and accrued interest to the date of payment hereunder.

This bond is payable as to both principal and interest without deduction for, and is exempt from, any and all taxes and other public dues, present or future, imposed by or under authority of the Kingdom of the Serbs, Croats and Slovenes or any political or local taxing authority within the Kingdom of the Serbs, Croats and Slovenes whenever, so long as, and to the extent that, beneficial ownership is in (a) the Government of the United States, (b) a person, firm, or association neither domiciled nor ordinarily resident in the Kingdom of the Serbs, Croats and Slovenes, or (c) a corporation not organized under the laws of the Kingdom of the Serbs, Croats and Slovenes. This bond is payable as to both principal and interest at the Treasury of the United States in Washington, D. C., or at the option of the Secretary of the Treasury of the United States at the Federal Reserve Bank of New York.

This bond is issued pursuant to the provisions of paragraph 2 of an Agreement dated May 3, 1926, between the Kingdom of the Serbs, Croats and Slovenes and the United States, to which Agreement this bond is subject and to which reference is hereby made.

IN WITNESS WHEREOF, the Kingdom of the Serbs, Croats and Slovenes has caused this bond to be executed in its behalf by its Envoy Extraordinary and Minister Plenipotentiary at Washington, thereunto duly authorized, as of June 15, 1925.

THE KINGDOM OF THE SERBS, CROATS AND SLOVENES

By

*Envoy Extraordinary and Minister Plenipotentiary.*

## STATEMENT OF SECRETARY MELLON, CHAIRMAN OF THE WORLD WAR FOREIGN DEBT COMMISSION, TO THE WAYS AND MEANS COMMITTEE, MAY 20, 1926

## SETTLEMENT WITH THE KINGDOM OF THE SERBS, CROATS, AND SLOVENES

The other settlement which is now before Congress is the settlement with the Kingdom of the Serbs, Croats, and Slovenes. The amount of the indebtedness to be funded was calculated on the same basis as in the other debt settlements, at  $4\frac{1}{2}$  per cent interest to December 15, 1922, and at 3 per cent interest thereafter until June 15, 1925, as of which date the debt is funded. The total to be funded, after allowing for a cash payment of \$7,112.39 to adjust the amount to round figures, is \$62,850,000. Of this amount \$51,037,856.39 represents principal and \$11,812,113.61 the accrued interest to the date of settlement.

I will submit the schedule of annuities for the record.

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(The schedule of annuities referred to is as follows:)

### Yugoslavia—Schedule of annuities

June 15—		June 15—Continued	
1926	\$200,000	1958	\$1,829,040
1927	200,000	1959	1,836,800
1928	200,000	1960	1,841,040
1929	200,000	1961	2,489,435
1930	200,000	1962	2,489,995
1931	225,000	1963	2,490,365
1932	250,000	1964	2,489,475
1933	275,000	1965	2,490,325
1934	300,000	1966	2,489,810
1935	325,000	1967	2,489,930
1936	350,000	1968	2,489,615
1937	375,000	1969	2,489,830
1938	474,688	1970	2,489,505
1939	524,187	1971	2,490,605
1940	561,625	1972	2,490,025
1941	816,060	1973	2,489,765
1942	851,440	1974	2,489,755
1943	890,630	1975	2,489,925
1944	931,610	1976	2,490,205
1945	977,370	1977	2,490,525
1946	988,885	1978	2,489,815
1947	991,350	1979	2,490,040
1948	998,760	1980	2,490,095
1949	1,012,115	1981	2,489,910
1950	1,026,385	1982	2,490,415
1951	1,040,565	1983	2,490,505
1952	1,055,655	1984	2,490,110
1953	1,070,650	1985	2,490,160
1954	1,084,550	1986	2,489,550
1955	1,339,720	1987	2,490,210
1956	1,349,170		
1957	1,359,440	Total	95,177,635

Under the agreement Yugoslavia is to pay an annuity of \$200,000 a year for the first five years, increasing \$25,000 a year for the succeeding seven years. For the remaining 50 years payments on account of principal increase annually. Commencing with the thirteenth year interest is fixed at one-eighth of 1 per cent for 3 years, one-half of 1 per cent for the next 14 years, 1 per cent for the next 3 years, 2 per cent for the next 3 years, and 3½ per cent for the last 27 years of the debt-funding period.

The total payments to be received under the settlement are \$95,177,635. The present value of the payments on a 4¼ per cent basis is \$20,236,000, or about 32 per cent of the debt funded. On a 3 per cent basis the present value is \$30,286,000, or about 59 per cent of the principal amount of the \$51,000,000 Yugoslav debt.

The settlement is made on the basis of Yugoslavia's capacity to pay. Although the country received considerable additions of territory as a result of the war, it is relatively poor and its standard of living is much the lowest of any of our debtors. It is almost totally lacking in natural resources; its agriculture is poorly developed and its industries are negligible. With the exception of 1924, its balance of trade in recent years has been adverse. The country was overrun and devastated several times during the war. The work of reconstruction has been carried on but slowly, the cost being met chiefly from German reparations. Railroad facilities already inadequate have been only temporarily restored. In an agricultural country without natural resources and lacking capital increase in wealth must necessarily be slow. The commission feels that the settlement arrived at is fair and just to both countries.