

ment have been met by the position, as I understand it, of the French Government that they would not repay any of this debt unless the reparation payments that were due France from Germany as a result of World War I were inaugurated at the same time, so that all of those concerned with the moratorium that was entered into in the early 1930's would assume that obligation.

I have an analysis of this situation in much greater detail which I would like to present and enter into the record. I don't happen to have it with me, but I will be glad to bring it down. It will give you and others interested a more complete and detailed picture of the situation involving these World War I debts.

(The following analysis was received by the committee:)

#### REPAYMENT OF FOREIGN OBLIGATIONS TO THE U.S. GOVERNMENT

In its effort to halt the loss of gold the Administration has given special attention to the potential contribution of debt repayment. Virtually all of the loan agreements and settlements made with foreign countries since the beginning of World War II established fixed amortization schedules which call for regular payments over a period of years. We expect both principal and interest on post-World War II obligations to be paid in accordance with these schedules, and with relatively few exceptions these payments are being made. Our receipts from such payments exceeded \$800 million in 1966. Only in a few cases has it become impossible for debtor nations to meet scheduled payments, making it necessary to negotiate a rescheduling of the obligation. Some of the loan agreements provide for postponing payments under certain circumstances. Where disputes arise resulting in payment delays, efforts are made to reach agreement in order that payments may be resumed. There have been a few instances, notably in the case of the Republic of China and the USSR, where it has not yet been possible to reach agreement involving comprehensive settlement of World War II Lend-Lease and related accounts. (The USSR is making payments on Lend-Lease items which were in production or storage in the United States before V-J Day.)

We have also made clear to the governments of nations in strong financial positions that we welcome repayments in advance of the scheduled due dates. As a result, the United States has received supplemental payments totaling \$2.96 billion since 1959.

The situation is different with respect to World War I debts. Most governments fulfilled their commitments under their World War I debt agreements until the depression. Debtor governments stopped making payments in 1932, following the expiration of the one-year moratorium on debts owed to the United States negotiated by President Hoover in an effort to mitigate the effect of these debt obligations on Europe's economic health. Finland is the only country which is presently meeting its obligations in full. Some of the other countries which still have world War I debts outstanding have made token payments since the early 1930's, but no payments at all have been made since the beginning of World War II.

While the countries which have large World War I obligations to the United States have never denied the juridical validity of their debts, there is a view widely accepted among them that the payment of these debts should be dependent on reparation payments by Germany. Resolutions of the problem of governmental claims against Germany arising out of World War I was deferred "until a final general settlement of this matter" by the London Agreement of 1953, to which the United States is a party.

The Government of the United States has never recognized that there was any connection between the World War I obligations of those countries and their reparations claims on Germany. While the London Agreement would not prevent the United States from raising, on a bilateral basis, the question of payment of any of the debtor countries' World War I obligations (except in the case of Germany), it must be recognized that any effort on the part of the United States to collect these obligations would undoubtedly raise the problem of German World War I reparations. From the practical viewpoint, therefore, there does not seem to be any possibility of reaching an agreement on repayment in the absence of an over-all settlement of the World War I reparations problems, with its wide-ranging political ramifications.