

CZECHOSLOVAKIA CLAIMS SETTLEMENT

EXECUTIVE HEARINGS
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
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SEPTEMBER 11 AND 26, 1974

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(III)

Executive Session
CZECHOSLOVAKIA CLAIMS SETTLEMENT

WEDNESDAY, SEPTEMBER 11, 1974

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 2:10 p.m. in room S-126, the Capitol Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Hartke, Byrd, Jr., of Virginia, Nelson, Mondale, Gravel, Fannin, Hansen, and Roth, Jr.

The CHAIRMAN. Whom do we have here to explain about this proposed Czechoslovakian settlement? We do not understand why the gold which otherwise belongs to Czechoslovakia but which is being held by this Government, and which appears to be ample to pay off those war claims adjudicated by the War Claims Commission, should not be allocated for that purpose rather than given back to the Czech Government. Why are you representing that that gold be given back to the Czech Government rather than used for paying the war claims?

STATEMENTS OF KEMPTON B. JENKINS, DEPUTY ASSISTANT SECRETARY OF STATE; JOHN ARMITAGE, DEPUTY ASSISTANT SECRETARY OF STATE FOR EUROPEAN AFFAIRS; AND FABIAN KWIA-TEK, ASSISTANT LEGAL ADVISER, DEPARTMENT OF STATE

Mr. ARMITAGE. John Armitage, Deputy Assistant Secretary for European Affairs, State Department.

The history of this gold, Mr. Chairman—this was gold which was taken from the Czechs by the Nazis during the war. The gold was recovered by the Allied Forces during the course of the war. This is gold to which the Czechs have a legal title, which has never been questioned.

The CHAIRMAN. Is it in our hands?

Mr. ARMITAGE. It is in the hands of the Tripartite Commission, Senator Long.

The CHAIRMAN. Consisting of whom?

Mr. ARMITAGE. We, the United Kingdom, and France.

In the Paris agreements just after the war the Allied Powers legally undertook to release this gold and other similar assets that were seized from the Nazis to the rightful holders of the gold.

The CHAIRMAN. What year was that?

Mr. ARMITAGE. I believe it was 1946. I will have to check it, sir.

We, therefore, do not have any legal right to vest this gold. In other words, we are the physical holders of the gold, we and the other two powers have physical possession of the gold, but we do not, and have never, asserted any legal title to this gold. So legally, we would not have any legal channel by which we could take this gold over and transfer its proceeds to the claimants.

The CHAIRMAN. My first recollection of this Czech claim matter was when the Czechs had paid for a steel mill here. When we saw them confiscating the property of American citizens, we just took the mill and we sold it and took what we could get from it. We used that to pay American war claims against that Czech Government.

Mr. ARMITAGE. Yes, sir. That was somewhat in the category of the blocked assets that we had in the country.

The CHAIRMAN. Now, why should we not do the same thing with the gold? We could say: you have confiscated the property of the citizens of this country. As far as we are concerned, you owe that debt. Here is some gold we are holding that would be yours, except for what you stole from our citizens. Therefore, we are just going to take this gold and pay those claims with it.

Mr. ARMITAGE. Senator, I do not believe there is any legal channel by which we could do that. We have a solemn legal obligation which we undertook right after the war.

The CHAIRMAN. Do they not have a solemn obligation when they take something, to pay for it? As far as we are concerned, what is the difference between nationalizing and stealing? It is somebody else's property, is it not?

Mr. ARMITAGE. Yes, sir, it is.

The CHAIRMAN. As far as we are concerned, do they not have an obligation to pay for it?

Mr. ARMITAGE. Certainly, they have an obligation. And that is what our negotiations were all about, to try to get this claim settled.

The CHAIRMAN. It seems to me that we ought to say that as far as we are concerned on that Tripartite Commission, you will never get that gold back until you satisfy these claims. Why not do that?

Mr. ARMITAGE. Well, we have held to the position that we would not return it until we got a negotiated settlement of the claims. And that is what the negotiations were all about. We feel that we have come up with a very satisfactory claim settlement here. And I would be glad to indicate why we think that, if you wish.

The CHAIRMAN. You are holding enough assets of that government to insist on paying off 100 cents on the dollar of those claims. You are in a position to withhold it from them. Yet you want to settle for 46 percent. Why does anybody think he has made a satisfactory settlement when he gets 46 percent and he is in a position to withhold more than 100 percent? You are in a position to withhold \$100 million from them to protect \$80 million worth of claims.

Mr. ARMITAGE. Between 80 and 90 million, yes.

I think the simplest answer to that is that in our judgment, the settlement that we got with the Czechoslovaks is the best settlement that we can get. And if we are to reopen these negotiations, in effect the financial agreement which we have would collapse, and it would be a long time before we would be able to get a settlement at all. There are, as you know, probably a number of people, both corporations and individuals, who have these claims. And it is our view that with the

passage of time that the claims in themselves are eroded by the inflation process. And if we delayed the settlement the holders of the claims would be worse off and not better off.

There is one other aspect to the settlement that I would like to call to your attention. In the course of the settlement the Czechoslovaks also undertook to negotiate settlement with bondholders of dollar bonds—which are also claims that we have hoped to get some compensation on—within 6 months after the settlement is signed. And this is also a process that we want to undertake to protect and compensate other holders of claims.

In addition to that, of course, we have the settlement on the surplus property which we are getting 100 cents on the dollar for these \$6 to \$7 million worth of surplus property claims.

And the 42 cents on the dollar which is involved in this claim—while nationalization, as you say, certainly is something that raises the bile of all of us, and I am certainly not here to defend nationalization in any manner or form—but of our nationalization settlements, this is the best one that we have gotten with any of the Eastern European countries.

The CHAIRMAN. The only reason I would assume that this is the best you have got is that this is the only case where you are holding enough assets of the other guy so that you could make him pay. If I were you, and I had enough assets to cover 100 percent of those claims, I would have that under my control. This fellow is wanting most-favored-nation treatment trading with this Nation; it seems to me that I am in a position to get a 100-percent settlement. I would not come in here saying that that is the best I have done, which is just to say that you could not get any more somewhere else. How much you get depends upon how much you have got to work with.

Now, in those other situations I assume that you did not have that much in assets you were holding. Usually in trading with a Communist country what you have got to work with to take care of your people after they have nationalized all your property is what you can lay your hands on; is that not about the size of it?

Mr. ARMITAGE. I think part of this is the fact that at this particular juncture the Czechoslovakian Government is seeking to sort of turn our relations around and move them on somewhat better grounds than we have had before. And I think that is why we got this particular settlement.

I repeat myself, but there is simply no way that we can put the gold to a settlement of these claims. And I think the Czechoslovaks know that. They know, sir, in addition to their clear feeling that their right to the return of the gold is completely untrammelled, and that we have a specific obligation with regard to this asset to return it, they know that sometime, somewhere we are going to have to return the gold, unless we start behaving in a way that we have not behaved internationally.

Senator BYRD. How long have you had the assets?

Mr. ARMITAGE. We have had them since the war.

Senator BYRD. You have had it since the war?

Mr. ARMITAGE. Yes.

Senator BYRD. That is quite a long time.

Mr. ARMITAGE. And we can hold it. There is certainly no question that we can certainly physically hold it.

The CHAIRMAN. All during that time you people came down here from the State Department and asked us to give away billions of dollars to the French and British Governments. Do you mean that during those negotiations you could not have got those Governments to waive whatever claims they had to this gold to this Government in view of the fact that they owe this to American claimants?

Mr. ARMITAGE. I think it is our commitment to return the gold. It is just—is not just the British and French.

Senator BYRD. Why have you held it 20 years?

Mr. ARMITAGE. For the specific reason, Senator Byrd, that we did not get a settlement of these claims, a settlement of the nationalization claims.

Senator BYRD. By your own words you are only getting a settlement of 42 cents on the dollar.

Mr. ARMITAGE. Yes, sir.

The CHAIRMAN. To me, the way to handle war claims in a Communist country is that if we are holding something or are in a position to lay our hands on something which is admittedly theirs, and they take something that admittedly belongs to our citizens, we just take what we are holding ourselves and sell it and proceed to pay off our citizens. That is how we did with that steel mill. Why should we not do the same thing with the gold?

Mr. ARMITAGE. Mr. Chairman, I think we have done that in places where we could. We simply have had no legal way to do that in this particular case. We would be violating a specific legal obligation.

The CHAIRMAN. They are violating a specific legal obligation as far as we are concerned. That is the property of our citizens. We have violated a specific obligation with regard to that steel mill. That was their steel mill; it was clearly theirs, they had paid for it. We took it and sold it and proceeded to pay our American claimants with it. And we took every nickel of it; we did not take half of it, we took the whole thing. And we used that to pay Americans. Why should we not take 100 percent of the gold? I do not see why not.

Mr. ARMITAGE. I do not see where we have the legal right to do that, Mr. Chairman.

Mr. KWIATEK. Fabian Kwiatek, Assistant Legal Adviser for International Claims.

We do have the legal right to hold the gold, Mr. Chairman. There is no obligation in the agreement of the Allied Powers to return the gold at any specified period of time. The only provision in the agreement is that all three powers must agree before the gold is returned. And to this date we have refused to agree to the return of the gold until our claims have been settled. This has been holding up the payment of claims of citizens of the United Kingdom. These citizens cannot get paid until this gold is returned.

Senator BYRD. Why do you not tell Czechoslovakia that they must pay 100 cents on the dollar?

Mr. KWIATEK. Sir, we have told not only Czechoslovakia this, but every European Communist country that we have negotiated with. But this is a totally unrealistic position, as far as they are concerned. First of all, they do not recognize as we do that they have an international obligation to even compensate for the nationalization of property. So we start off with that point, and from there we try to get the best we can in connection with each and every one of these agreements.

We think that this agreement to be concluded with Czechoslovakia is an exceptionally good agreement in two respects. One, it provides for one of the highest percentages of payment on the dollar of the adjudicated claims.

Senator BYRD. That is not saying much.

Mr. KWIATEK. That is not saying much. But there is a second provision in the agreement, and that is, the agreement provides for the payment of this money, \$20.5 million, over a 12-year period. Now, this 12-year period will be further minimized by virtue of an accelerator clause which we think will result in a payment over roughly 8 years. They will be paying that over 8 years in comparison to other agreements that we have concluded in other Communist countries for 20 years.

Senator BYRD. This does not persuade me a bit. We have given things away in all countries, to India, and to Russia, and now we are getting ready to give it away to Czechoslovakia.

The CHAIRMAN. According to this, claims with Czechoslovakia amounting to \$80 million or more would be settled for \$12 million, such payment to be made in 17 annual installments. Now, you are holding a \$100 million of gold there. So now we have got to get \$4 million a year for the next 17 years. Do you think that is the best agreement you can make? I would not be bragging about that.

Mr. KWIATEK. I do not know where you got your figures, but they are incorrect.

Mr. ARMITAGE. Let me indicate where there is an error in those figures. The value is about \$72 million. The settlement is for \$29 million, the figure you have there does not include the \$9 million that has already been applied to specific claim. So it is \$29.5 million.

Senator BYRD. What about the interest?

Mr. ARMITAGE. I have not—we have not gotten, we have never gotten any interest on it.

Mr. KWIATEK. It has never been the subject of negotiations.

Senator BYRD. You have not even tried to get the interest?

Mr. KWIATEK. We have tried to get it.

Senator BYRD. And it has been the subject of a negotiation?

Mr. KWIATEK. It has been the subject of negotiation, but it is not reflected in the agreement. And I said there is no allowance for the payment of interest.

Senator BYRD. That is what I say, you in effect have waived the interest.

Mr. KWIATEK. Yes, we have waived the interest.

Senator BYRD. I think the record should show that not only are you not getting 100 percent on the dollar, you are getting somewhere around 42 cents on the dollar at the most.

Mr. KWIATEK. Yes.

Senator BYRD. And yet you have waived the interest.

Mr. KWIATEK. That is also correct.

The CHAIRMAN. Let me ask you this. Do you have French citizens that have claims against Czechoslovakia also?

Mr. KWIATEK. Yes; the French as well as Great Britain have made agreements with the Government of Czechoslovakia. But the British have not been paid for—their payment will be determined on the return of the gold.

The CHAIRMAN. Why do we not, the United States, France, and England, just take the gold and use it 100 percent to pay our citizens and theirs?

Mr. ARMITAGE. The simple answer is because we cannot legally do it.

Mr. KWIATEK. We cannot do it.

The CHAIRMAN. They cannot legally steal from you, but they do it anyway. That is what they do, they seize your stuff and you seize theirs. And you take what you seized from them and pay off your citizens whose property was taken. That is the whole idea. That is what we did with the steel mill, and I do not see why we should not treat the gold the same as the steel mill.

Senator BYRD. Besides that, they want something from us, they want most-favored-nation treatment, do they not?

Mr. ARMITAGE. Yes, sir.

Senator BYRD. And you have given them that?

Mr. ARMITAGE. We have not given it until you say so.

Senator BYRD. But you propose to give it to them?

Mr. KWIATEK. What we will be getting for that, sir, is, we will be reducing the annual installments from 12 years to roughly 8 years.

The CHAIRMAN. It seems to me that the easy way to settle those negotiations is very simple, just make a deal with the French and British that we will divide this money up on whatever basis appears to be fair to settle these claims, and we will take our share and pay our citizens, and let them take their share and pay their citizens, and we see how far it goes. We will get a lot more that way than the way you are talking about.

Mr. JENKINS. Unless the British and French claims together with ours total less than the claims settlement we propose.

Mr. ARMITAGE. I do not think there is any question but that the British would not agree with this.

Senator BYRD. They would not?

Mr. ARMITAGE. They would not.

Mr. KWIATEK. I would like to point this out to you gentlemen. The terms of the present settlement with Czechoslovakia are higher than the percentage of the claims we would get if we settled with France and England. We would get in the vicinity of 20 to 25 percent of our claims.

The CHAIRMAN. Of the total?

Mr. ARMITAGE. The French and British settlements with Czechoslovakia and with other Eastern European countries have really run in the range of between 15 and 25 percent.

The CHAIRMAN. How much money do you think is owed their nationals from Czechoslovakia? Have they tried to fix a figure as our Office of Information did?

Mr. ARMITAGE. They have settled for somewhere between 15 and 25 percent.

Mr. KWIATEK. They have similar provisions in their countries to what we do here, sir.

The CHAIRMAN. I would be dismayed to see that they would go look after their citizens and would want to give back the \$100 million. And so I would suggest that you compose a statement, and make it available to us for the record, to supplement what you have said here.

I would like to ask this question. Have you tried to negotiate with the British and French to see if they would be willing to take that money and use that to satisfy their claims to their citizens?

Mr. ARMITAGE. No, sir.

The CHAIRMAN. It seems to me that that is the first thing you should have done. You are wasting your time negotiating with the Czechs; you should negotiate with the French and the British. Those are the ones who were in a position to talk to you about that gold. I think you should have taken the attitude that the Czechs have no claim on that gold until these claims have been satisfied. After that, then they might have some claims on what is left.

Mr. ARMITAGE. Mr. Chairman, I would like to make a suggestion as to what we believe will happen to the agreement if it is decided to reopen these negotiations. It is our judgment that the entire—this agreement which covers both nationalized property claims, and surplus property debt, and the obligation to negotiate on the bondholders claims, would collapse, and we would not have any opportunity to get a better solution from the Czechoslovaks in the immediate future, that the claimants would go longer without the restitution of their claims, and that the value of their repayments would decrease as inflation eats away at it, and that those claimants include, as I say, not only corporations, but some people who are now in the later stages of their lives, which might mean that they would in effect themselves get nothing.

In addition, the bondholders would have any prospect of settlement of their claims and the payments thereof indefinitely delayed.

Senator BYRD. You have no commitment for the bondholders anyway, all you have for a commitment is that they will discuss it?

Mr. ARMITAGE. They will negotiate.

Mr. KWIATEK. They will negotiate settlement in 6 months.

Senator BYRD. Which really means nothing. All they are saying is that they are willing to sit down and talk about it?

Mr. KWIATEK. With a view toward arriving at a settlement.

Mr. ARMITAGE. And I think that since they settled on the nationalization claims, that we can assume that they will negotiate here.

The CHAIRMAN. I do not know of anything that they have paid other than what we are in a position to seize. If I had your job, I would not negotiate with that Communist Government in Czechoslovakia, I would negotiate with the British and French. I would say, let us just split their gold up and we will take part of it and you take the rest, and what we have got we will divide among our people, and you divide what you have got among your people, and we will distribute it. Just like we did with the steel mill. And then I would say, all right, if there is still something left and Czechoslovakia wants more-favored-nation treatment, let us talk about that.

I would not even have been negotiating with them about the gold, I would have taken every nickel of it if it took that much to satisfy the American claims, and that of American citizens, and I would start negotiating about whether they get the most-favored-nation treatment; you could get something for that.

You are reporting to me that you have not even tried to do what to me makes commonsense, which I would have done if I had had your job, to take the gold and give it to the American claimants, and let

the British and French have their share to give back to their people, or give it back to Czechoslovakia if they want to. But I think that you may find out that the excuse the British give will be that they did not take their share of the gold and give it to their people because the Americans may not have been willing to cooperate.

If you look at who has been the world champion giveaway on earth, we have got more Santa Claus costumes hanging in our closets than anybody. It seems to me that we could very well, just like we did with that steel mill, have taken the gold and paid claims with it. And it is easier to do with gold than with a steel mill.

Mr. KWIATEK. Sir, you are probably not aware of this, but much of this gold is not within the geographical limits of the United States.

The CHAIRMAN. Where is it?

Mr. ARMITAGE. I do not know where it is.

Senator BYRD. Somebody ought to know.

Senator HANSEN. Is there not 18 tons in the United States?

The CHAIRMAN. You brought the point up.

Mr. KWIATEK. Some of it is in Europe.

Senator FANNIN. How much is in Europe?

The CHAIRMAN. It is in a Swiss bank, is it not?

Senator BYRD. Where is it?

Mr. KWIATEK. It is in Europe.

Much of it is in the Bank of London.

Mr. ARMITAGE. Senator, I would like to——

The CHAIRMAN. What is the problem?

Mr. KWIATEK. How do we vest or take property which is under government jurisdiction?

Senator BYRD. I thought it was under joint jurisdiction.

Mr. KWIATEK. It is, but that does not mean that gives us the right to take it. It is specifically over there.

The CHAIRMAN. All you have got to do about this is say simply to the British and French: we have claims arising out of the war to settle with that Czech Government. So far as we are concerned, we have got enough claims to take up 2 percent of that gold. Now, let us take a look at what your claims are, because we can propose to take our share of this thing and use that to pay claims. Now, if you have claims, we suggest that you take your pro rata share and use that to pay the claims of your people. Let the French do the same thing. My guess is, that will use up 100 percent of that gold; we would not be giving the Czechs any gold back. After you get through dividing the gold up, and give the British claimants their share, and the French claimants their share, and the American claimants their share, then let us talk to them about how much they still owe us before we give them most-favored-nation treatment. That is the way I think the business should work.

Mr. ARMITAGE. I would like to make a couple of other points.

One of the reasons that we have said that we think this is a particularly advantageous settlement is not only the 42 cents on the dollar settlement, but that in the process of the negotiations the Czechs accepted the \$9 million valuation for the steel mill, whereas they had, as you know——

The CHAIRMAN. That was awfully gracious of them. We took the steel mill and paid our people; we did not require their consent to do that.

Mr. ARMITAGE. My point is, sir, is that they had paid us the \$17 million, and we sold the steel mill after several years for about \$9 million. And that \$8 million we have just written off. And in the course of these negotiations we got them to accept that particular position, which is additional.

The CHAIRMAN. That is just too bad. But if the steel mill was not worth as much by the time we got around to selling it, they should have thought about when they seized other American investments. And as far as I am concerned, I would just say to them, what we can lay our hands on to pay these claimants we are going to take. We would have been perfectly satisfied if the Czech Government had elected to voluntarily pay these American people whose property is confiscated. You and I know that they are not going to do it. But whatever we can lay our hands on to pay them we ought to pay them, and we should not give anything back until we do.

Senator BYRD. What are the total U.S. claims?

Mr. ARMITAGE. \$72 million.

Senator BYRD. I understood that was 80.

Mr. ARMITAGE. I do not know where the 80 came from.

Senator BYRD. Would that be because of that \$8 million that you are talking about on the steel mill?

Mr. ARMITAGE. No, sir.

Senator BYRD. How much of the gold is in the United States?

Mr. ARMITAGE. I will try to find out for you, Senator. As I say, we have treated the gold as a clear legal obligation of the Government in terms of its possession, and we have not considered——

Senator HANSEN. Would you yield on that, Senator Byrd?

Senator BYRD. I yield.

Senator HANSEN. Is there not 18 tons of Czechoslovakian gold that is presently within the jurisdiction of the U.S. Government, whether it is in England, the Bank of London or whatever?

Mr. ARMITAGE. No, it is in the jurisdiction of the Tripartite Commission, which is composed of the United States, the United Kingdom and the French.

Senator FANNIN. Will the Senator yield?

Senator HANSEN. Yes.

Senator FANNIN. What position are the British and French taking in this regard?

Mr. ARMITAGE. They have previously negotiated their nationalization claims, Senator. And the proportion of the value of the claim they settled was somewhere between 15 and 25 percent, I forget the exact figure. They have taken the position that when our claims are settled they have agreed to return the gold.

Senator FANNIN. I notice that you say that the settlement is 42 cents on each dollar, and you compared that with the settlement with Poland of 39 cents, and Romania at 37 cents. What security do we have, or what assets do we have that would secure the claims of Poland and Romania?

Mr. ARMITAGE. Now or before, sir?

Senator FANNIN. Before the settlement. Were we holding any of their assets?

Mr. KWIATEK. As far as Poland is concerned, sir, we had absolutely no assets of the Polish Government in the United States.

Senator FANNIN. So we were just fortunate to take whatever we could get.

Mr. KWIATEK. Insofar as the other countries are concerned we vested some assets here which totaled roughly about \$3 million. And they vested under title III of the International Claims Settlement Act of 1949, and the proceeds used to partially pay the claims.

Senator FANNIN. As I understand it now from that explanation, we did not have any securities or any assets that we could protect ourselves with as far as Poland and Romania are concerned. So a comparison of the settlement of Poland and Romania is not in order, I would think, when we talk about Czechoslovakia, where we can protect ourselves.

Mr. ARMITAGE. It is a clear question, I think, sir. Obviously, our view turns around the status of gold. And we have never questioned their title to the gold, nor have we any legal basis to do so. We have held possession of it in order to get our claims settlement, but we have not found the basis upon which we could vest legal title, or get claim to the gold for us, or move to vest it.

Mr. KWIATEK. We have a solemn obligation, Senator, to return this gold to the Government of Czechoslovakia.

Senator FANNIN. But why have all those years passed and nothing has been done?

Mr. ARMITAGE. They did not settle our claims, sir.

Senator FANNIN. And you did hold it because of the claims that we have against them?

Mr. ARMITAGE. Yes, sir. We can hold it, but we cannot vest it.

Mr. KWIATEK. We could continue to hold it ad infinitum.

Senator FANNIN. What if you did vest it, what would happen?

Mr. ARMITAGE. It is a legal question.

Mr. KWIATEK. We do not have any legal authority whatever to vest it, No. 1, and No. 2, we would violate an international obligation that we have both with France and England, as well as with the Allied Powers.

Senator FANNIN. In other words, it works on a basis that possession is 90 percent of the legal right.

Mr. KWIATEK. Some countries operate that way, but we do not, sir.

Mr. JENKINS. I think that is the question, Senator, whether or not we want to take the position of converting the gold unilaterally, or trying to get our two allies to do it, when our legal position is and has always been that this is an illegal action.

Senator BYRD. It was an illegal action that the Government of Czechoslovakia took when it confiscated American property.

Mr. JENKINS. We recognize that. But taking one illegal action to counter another is not the best way to restore international law.

Senator BYRD. I agree with that. But I think the State Department has its primary obligation to our fellow citizens where their property is confiscated.

Mr. ARMITAGE. Senator Byrd, it does. Nobody would yield to us in terms of our impatience at it taking 29 years for getting a settlement. That is a whale of a long time, as everybody has pointed out. The gold has been there as a lever for the Czechoslovaks to come to a settlement all that time. And we have thought that this—

Senator BYRD. Let us put this down, if we can—Mr. Chairman, may I ask some questions?

Senator HARTKE [now presiding]. Yes.

Senator BYRD. Let us put down exactly what is owed; \$72 million; you say is owed American citizens?

Mr. ARMITAGE. That is the evaluation made on the claims by our Claims Commission, yes, sir.

Senator BYRD. Now, the interest on that is how much?

Mr. ARMITAGE. I do not know that we have calculated the interest on it, sir.

Senator BYRD. Yes, you have claimed interest, you have testified that you have claimed interest and you could not work it out in the negotiations.

Mr. KWIATEK. In making its awards the Foreign Claims Settlement Commission included interest on the principal amount of the claims. I think the total amount of the principal and interest on the claims is somewhere in the vicinity of \$115 million. I can give you that figure exactly, sir.

Senator BYRD. I would like to have that figure, sir.

Mr. KWIATEK. \$113 million—

Senator HANSEN. That is the amount of the interest?

Mr. KWIATEK. Principal and interest.

Senator BYRD. Total, including interest, \$113 million.

Mr. KWIATEK. \$645,205.41.

Senator GRAVEL. That is the interest on what? I just want to get up to date.

Mr. KWIATEK. That is the principal interest in connection with the total amounts of the award granted by the Foreign Claims Settlement Commission of \$113,645,205.41.

Senator ROTH. As of what date would that accumulation of interest apply?

Mr. KWIATEK. That would be as of August 8, 1958.

Senator BYRD. Now, we have got to update that.

Mr. KWIATEK. Theoretically, yes, sir.

Senator BYRD. I would like to ask for the record that this be updated and the new amount brought in to this committee, update that from August 1958 until the present time.

Mr. KWIATEK. Sir, I would like to point out to you in this connection that the Foreign Claims Settlement Commission had the statutory jurisdiction of making these awards and passing upon this interest, and the State Department does not have any jurisdiction over the matter.

Senator BYRD. You could bring in the figure as to what the interest would be, could you not?

Mr. KWIATEK. We could calculate it, yes, sir.

(The Committee subsequently received an updated figure of \$182,950,000.)

Senator HARTKE. Who are they? Who is the chairman?

Mr. KWIATEK. The chairman is Chairman Bell. They are located at 1111 20th Street, Northwest.

Senator HARTKE. Who do they operate under?

Mr. KWIATEK. They operate as a separate agency of the executive department. They are established by the Congress under the International Settlement Claims Act of 1949.

Senator GRAVEL. Which was Chairman Long's bill at the time.

Senator Hartke. Yes.

Senator BYRD. Let us go back to the \$113 million. Of that, how much will the U.S. citizens get?

Mr. KWIATEK. The U.S. citizens will get \$20.5 million plus \$3.9 million.

Senator MONDALE. What interest rate do you require?

Mr. KWIATEK. I am not sure of the interest rate. I think the interest rate is 6 percent as of 1958. I will have to check on it. I am not sure of the amount.

Senator BYRD. They owed us \$113,645,000. And now we will be paid under your agreement \$29.4 million.

Mr. KWIATEK. That is correct, sir.

Senator BYRD. Is there anything else?

Senator GRAVEL. Except, Mr. Chairman, that is over time; that is not a lump-sum payment.

Mr. KWIATEK. That is over a period of 12 years.

Senator BYRD. You pay the gold out over a period of 12 years?

Mr. KWIATEK. No, sir.

Senator BYRD. Why is it that you pay the gold in a lump-sum payment, and they pay us over a period of 12 years?

Mr. KWIATEK. The gold is not a payment, sir. We are returning property.

Senator BYRD. Why do we return the property before we are paying for the property that was stolen from us? Why do you not do both at the same time? Why not pay the gold out over 12 years?

Mr. ARMITAGE. Once we have negotiated in terms of settlement, Senator, I do not think the pace of repaying the gold would change it.

Senator BYRD. I think you will change it a lot. You are losing all your leverage.

Mr. ARMITAGE. Once you have a settlement you have reduced your leverage.

Senator BYRD. You have not used your leverage, because you have not gotten paid for what they have agreed to pay you for. They stole it once, and they can steal it again, can they not?

Mr. ARMITAGE. You are saying, would they settle their obligation or would they default?

Senator BYRD. You feel it is not likely that they would default on this obligation, but you admit that they stole the property in the first place?

Mr. ARMITAGE. Not to their way of thinking.

Senator BYRD. I understand. But we do not take their property. Did they steal the property or not?

Mr. ARMITAGE. They nationalized it.

Mr. KWIATEK. They took it contrary to principles of international law.

Mr. JENKINS. If we estimate what their behavior is going to be in the future we have to take into account what their principles of behavior are. One of those is not to recognize foreign ownership of property. So they nationalized it.

Senator BYRD. What I am suggesting is, if you are going to protect the American citizens—and I think you have an obligation—and by you I mean the State Department—as representatives of the American people you have an obligation to protect American citizens. Why do you not demand immediate payment if you are going to give the gold back immediately?

Mr. ARMITAGE. On the question of whether we could do better, Senator—the question of the rate of their payment we negotiated on for several months—I think in theoretical terms we could certainly get a better deal. But in actual terms, as I said before—and I would repeat it—it would be our judgment if we aborted the initial settlement—which I think perhaps I should say the Secretary has approved, and has indicated to the Czechoslovakian Foreign Minister that he would be prepared to meet him to sign the agreement during the early part of this fall, so that we are obviously placed in a position where that is something which we will have to defend—if we aborted this initial settlement, what would happen is that we would not get any repayment.

Senator BYRD. Let us see what they are getting from this. They are getting a \$100 million in gold, is that right?

Mr. ARMITAGE. Between 80 and 90, sir, yes.

Senator BYRD. They are getting almost a \$100 million in gold, and for that they are paying out \$29 million over a period of 12 years. That is a very favorable settlement. Now, are they going to throw that down the drain?

Mr. ARMITAGE. Well, sir, that is the reason, in our judgment, that they have let us sit and hold that gold for all these years when—this is the third crack at these negotiations we have had since the end of the war. And the terms are immeasurably better than we have had at any other time. And I would certainly agree that that might have something to do with the price of gold.

Senator BYRD. I want to commend you to this extent. It is a far better deal than we got from Russia. We got paid 3 cents on the dollar for the Russian obligation to the U.S. Government, plus another 24 cents, provided they get most-favored-nation treatment, and provided we lend Russia \$500 million. So I would say that you did get a better deal than that.

Senator GRAVEL. Do we want anything from the Czechs other than the policy of détente? Is there anything special that we want from the Czechs today?

Mr. ARMITAGE. As I have said earlier, we have seen—this settlement is part of a turn, we hope, in our relations with the Czechoslovak Government which, as you know, since 1968 has not been particularly warm. We did last year get a Consular Convention negotiated with the Czechs, which is being presented—

Senator GRAVEL. The point that I am making is that other than the fact that we want more friendship and greater exchange, which is beneficial to the society, there is nothing specific that you can tell us that we want from the Czechs?

Mr. JENKINS. We want them to buy American products.

Senator GRAVEL. We want to make a dollar off the products that we sell them, and if we continue with the attitude we have now we are not going to make a profit from what they buy. I would rather they buy not a thing from us and straighten out the account that exists. We are going in with them on a bad footing. And I cannot buy this theory philosophically that they do not recognize foreign ownership of property. A new government could come in tomorrow and write a new constitution and say philosophically that they do

not agree with anything the past government has done. Private profit is not a new concept. It is part of the western civilization. And Communists and no Communists, it is a matter of convenience. So you are telling us that we have got a deal with them, they want most-favored-nation treatment, and we do not need them for a most-favored nation other than détente philosophically. We do not need them in order to live. We will live very well without them. The point is, if they want to be friends, the first thing they need to do is go back and settle up accounts.

Mr. KWIATEK. I would like to make one point, that this agreement, if it goes into effect and becomes final, has no relationship whatever to the actual enforcement of the agreement as far as it relates to MFN. Because whether they get MFN or not they are still going to pay us this money.

Senator GRAVEL. I have got an amendment right now that we would not give them most-favored nation, if the committee goes with it, until they straighten up the accounts. And I intend to press for the amendment. I do not care if they trade with us or not. If they trade with us, they are going to come in like big boys and recognize their debts. That gold, if we continue to hold it, will be worth \$200 million next year, will it not?

Mr. KWIATEK. It may.

Senator GRAVEL. So just by that gold alone they are going to see frozen assets in their world commercial situation of 200 to 300 million. So they will have an incentive to pay-off their obligations just by our hanging onto the gold. So let us leave that alone. And we can throw this agreement away and let them just wait until they want the gold bad enough so that they will pay off our people. And then at that time we will make as a quid pro quo to most-favored-nation treatment that they have to pay their debts.

Mr. ARMITAGE. I think we have to make a judgment, sir, on what would be the consequence of that course of action. And I believe that my own judgment would be that the Czechoslovak Government would back away from negotiating a claims settlement with them, and that our claimants——

Senator GRAVEL. They would maybe have to wait another 3 years. They have waited 25 years. So let us not be impatient.

Mr. JENKINS. So have the American claimants.

Senator GRAVEL. That is what I mean. And the American claimants I have been in contact with do not mind waiting a few more years for justice. The property was confiscated 25 years ago, and 15 years ago they were adjudicated to have a legitimate claim that is all settled, and now it is just a question of collecting it. Let us wait a few months, and let us let the gold price rise.

And when you say you throw away this agreement, you throw it away. Who is going to be hurt? Are we going to get hurt as a Nation?

Mr. ARMITAGE. The claimants.

Senator GRAVEL. I do not think so.

Mr. KWIATEK. Senator, my office answers all these letters that come into the State Department from the individual claimants who have claims under the agreement. Thus far every claimant that I have talked to who is aware of the provisions of this agreement is extremely satisfied with what they consider to be a very, very exceptional agreement when it comes to Communist countries.

Senator GRAVEL. Sir, I would not have an amendment here in my folder if they were all that satisfied. That is how I got the amendment.

Mr. KWIATEK. I cannot say all of them; I just say those that have communicated with the State Department.

Senator GRAVEL. If you have been in a situation where you are liquidating, and a guy comes in and says, this is a dead deal, you cannot get a deal, but I can get you 10 cents on the dollar. And if that is the only thing they will negotiate with straws. But I tell you, in a hard deal you can get information coming to these citizens by watching that gold rise. It is going to double and treble in the space of 9 months. Does that put pressure on us? It puts pressure on the Czechs. That is money they can run down the streets and spend tomorrow. They would be \$200 million richer when they got it.

Mr. JENKINS. This process has been going on for years, and the Czechs have not been pressing us for immediate settlement. And they have not been attempting to get that gold because they want to spend it. They consider it their gold. And this is recognized by our Government, and by the French and the British Government under international agreement. And if it continues to go up, as far as they are concerned, they are earning interest on it. If I were in the Commission's shoes I would not consider that "pressure."

Senator HARTKE. Senator Byrd has some more factual questions he would like to have answered rather than questions of policy. So let us try to get those answers.

Senator BYRD. When was this agreement signed?

Mr. KWIATEK. The agreement was only initialed ad referendum on July 5, 1974. It will require a further signing by both governments at a later date.

Mr. ARMITAGE. As I indicated, the Secretary has invited the Foreign Minister to sign the agreement.

Senator BYRD. I think you should be aware, and the Secretary should be aware, that there is great concern, certainly within this committee—and if Senator Gravel's amendment is adopted, as it may very well, it might be embarrassing if you do not lay the groundwork. But anyway, that is up to the State Department.

Senator HARTKE. I think the Secretary will be made aware of that.

Senator BYRD. Did you participate in negotiations?

Mr. KWIATEK. Yes, sir, I did.

Senator BYRD. How does the Eximbank fit into the negotiations?

Mr. KWIATEK. It did not, sir.

Senator BYRD. No commitments have been made?

Mr. KWIATEK. No, sir.

Senator BYRD. Do you anticipate that the Eximbank will be used if most-favored-nation treatment is given?

Mr. KWIATEK. I just cannot answer that.

Mr. JENKINS. Presumably it would depend on the initiatives of the American exporters.

Senator HARTKE. That is not within your process?

Mr. ARMITAGE. The pattern of other Eastern European negotiations has been that we have been able to negotiate commercial agreements where that fits into our commercial purposes when we have authorization from the Congress—

Senator BYRD. If Eximbank loans are extended, that would be a loan to the Government of Czechoslovakia?

Mr. ARMITAGE. Yes, sir.

Senator BYRD. And yet the Government of Czechoslovakia owes American citizens a great deal of money.

Mr. ARMITAGE. That is what we are trying to negotiate a settlement for.

Senator BYRD. But the Eximbank is not involved, or was not involved in the negotiations?

Mr. KWIATEK. Correct.

Senator BYRD. I do not mean the bank itself was not involved, but during the negotiations did the question of credit from the Eximbank come up?

Mr. KWIATEK. No, sir.

Mr. JENKINS. As far as I know they have made no loans to the Czech Government.

Mr. ARMITAGE. They have no programs or authorization for it.

Senator BYRD. There is no bank exposure to the Czechs at this point? But I would assume that if you grant most-favored-nation treatment you are leading up to the use of the Export-Import Bank.

Mr. ARMITAGE. Yes, sir, that is one of the purposes of the legislation.

Senator BYRD. This is one of the purposes of the settlement?

Mr. ARMITAGE. No, the trade legislation.

Senator HARTKE. Let us see if I can clarify it. In other words, as far as this agreement is concerned, this agreement basically has no reference to the trade legislation per se, is that a fact? What about most-favored-nation treatment, is that a condition?

Mr. KWIATEK. It is indirectly involved in the agreement to this extent, the Government of Czechoslovakia obligates itself to pay us \$16.5 million over a 12-year period. However, in the event their export to the United States increased over a certain percentage, then the 12-year period will be accelerated down to an 8-year period of payment. But in the event they do not receive it, then they would pay over 12 years.

Senator HARTKE. I am not asking you that. The most-favored-nation treatment, is that a condition, or is it just a condition of anticipation?

Mr. KWIATEK. It is a condition of acceleration only.

Mr. ARMITAGE. In effect it is not part of it.

Senator HARTKE. If this agreement had been negotiated on the basis of the claims that were made by our citizens and one, their claim to the gold, and the Americans claim against the Czech nationalization—now, what I am asking is, is there any other factor involved other than those two claims, one against the other?

Mr. KWIATEK. The claims of the Government of the United States are included, and the payment of surplus property—

Senator HARTKE. That is what I am talking about—I am trying to find out if there is any consideration other than claims, the claims to the Czechs, and the claims by the U.S. citizens of the Czech Government. The whole agreement is based on that? Are there any other conditions in the agreement which are either written or understood? Is there an understanding that most-favored-nation treatment is a condition of the acceptance of the agreement?

Mr. KWIATEK. No.

Senator HARTKE. Is there an understanding as to Eximbank financing or anything of that sort?

Mr. KWIATEK. No.

Senator HARTKE. This agreement consists of two claims, one of them, the Czech's claim against the gold, and the other the American Government's and the private claims against the property acquisitions?

Mr. KWIATEK. That is correct.

Mr. ARMITAGE. Their title to the gold, yes.

Senator HARTKE. All right, their title to it.

Mr. ARMITAGE. Senator Gravel, I would like to address your question, if I might.

Your suggestion was that if we back away from the settlement that had been negotiated and sit tight on the gold, that the Czechs will come to us and give us more favorable terms shortly. I think we would have questions that they would do so. There is a great deal of logic in it, but that same logic has been in this situation for the last 29 years.

Senator GRAVEL. Since you have been negotiating this—the dynamics of gold—the market has changed radically.

Mr. ARMITAGE. They were less, but they are still dynamic.

Senator GRAVEL. The gold was not worth as much, but now with the actions of the Congress on gold we have changed the entire market price, so your negotiating position is altered. You now have cards to play that you did not have when you negotiated the agreement. So if we say, we do not want this agreement, then you people go back in good faith and say, boy, we just had some bad people in Congress to deal with, and we are really sorry, but they are forcing us to now start from square 1. And then you say—you just recite the position that we take, and if I am still here next year I will be happy to go to the meeting and read them the riot act that they are cheating us. And I sincerely feel that way, I think we are being had. And next year that gold is going to be worth considerably more than it is now. That is pressure on them. And the other, the most-favored-nation status, I think, is more desirable for them to have than it is for us to give. I think our incentive to give is détente. And I think that is a good incentive to give. But I cannot see the situation in Eastern Europe where the Soviet Union would have most-favored-nation, where Poland would have it, and Romania would have it, and Czechoslovakia, which is the most industrialized country of the group, would not have it. They could not tolerate that kind of a trade situation. So the passage of this amendment would act as a force upon them to come to terms on these negotiations, though, as you stated to Senator Hartke, they are not directly related except through the acceleration of payment. So I think that, one, to help you fellows go back and negotiate a better deal, if you go back and just wait until after the first of the year, you will find yourself a very favorable commercial climate to negotiate. And two, if we pass this amendment that I have, then you will be able to say, hey, if you want to join the rest of the club and trade with the United States, all you have got to do is pay up your bills

Senator HARTKE. Senator Byrd has two more questions.

Senator BYRD. You mentioned the \$16 million. What is the \$16 million?

Mr. ARMITAGE. That is the payment after the initial cash payment.

Senator BYRD. The initial cash payment, then, would be \$13 million?

Mr. KWIATEK. \$4 million.

Mr. ARMITAGE. \$9 million has already been paid.

Mr. KWIATEK. That is from the steel mill.

Senator BYRD. What do you mean it has been paid?

Mr. KWIATEK. It has been paid to the claimants already.

Senator BYRD. But the total settlement claim was \$72 million?

Mr. KWIATEK. Yes, sir.

Senator BYRD. Including the \$9 million?

Mr. ARMITAGE. That is the claim. Now, the total settlement is \$29.4 million, between \$4 million and \$5 million, including the \$9 million.

Senator HARTKE. What we have to do is find out, whether the \$72 million includes the sale price of \$9 million for the Czech steel mill?

Mr. KWIATEK. You have got the wrong figures.

Mr. ARMITAGE. Steel is on the other side of the equation, sir.

Mr. KWIATEK. You have the total amount of the transaction indicated by the Commission as \$72 million. This is a bill due and owing by the Czechs. From that \$72 million you must deduct \$9 million, which is the amount we received for the steel mill. In addition to that—

Senator BYRD. That was paid to the claimants.

Mr. KWIATEK. That has already been distributed.

Senator GRAVEL. That was confiscated by the Americans. At the original time of the bill when Russell Long put it in.

Mr. KWIATEK. That is correct. Under this agreement the Czechs will be paying us further \$20.5 million.

Senator BYRD. And \$20.5 million, \$4 million in cash and \$16 million over 12 years.

Mr. KWIATEK. That is correct.

Senator BYRD. Just one final question, then. You mentioned the—what is it, international debt settlement?

Mr. KWIATEK. International Claims Settlement Commission.

Senator BYRD. And it determined the obligation to be \$133,645,205.41?

Mr. KWIATEK. That is the principal plus the interest.

Senator BYRD. That is what they claim, that is what the Commission says Czechoslovakia owes us?

Mr. KWIATEK. That is correct, sir.

Senator BYRD. How do you get a settlement, then of 42 cents on the dollar? I have got a settlement of 26 cents on the dollar.

Mr. KWIATEK. What we are looking at is in terms of the percentage of settlement as it relates to the principal amount of the award.

Senator BYRD. That is not what the Claims Commission said?

Mr. KWIATEK. The Claims Commission would not accept—the Claims Commission says that what Czechoslovakia owes is \$113 million. That is because for bookkeeping purposes they added both principal and interest.

Senator BYRD. That is for more than bookkeeping purposes? That is normal bookkeeping procedure, is it not?

Mr. KWIATEK. In general, yes, sir.

Senator BYRD. So you are settling a claim of \$113,645,205.41, you are settling that claim for 26 cents on the dollar?

Mr. KWIATEK. What we are doing here, sir, is nothing more than what we did in connection with other claims settlements.

Senator BYRD. I do not see it that way.

Senator HANSEN. Just let me make an observation. That \$113,645,000 was as of August 8, 1958. That is 16 years ago.

Mr. KWIATEK. That is correct.

Senator BYRD. And no interest has been involved since then. And if you add the interest since then, as Senator Hansen pointed out, it would be a tremendous sum.

Senator HARTKE. Is there any factual information here that is not available now that you want?

Senator Byrd?

Senator BYRD. No.

Senator HARTKE. Senator Gravel?

I do not think we can proceed on this further without Senator Long. I want to try to close this off, if I can.

Senator GRAVEL. I have one question.

What happens now if we adopt the amendment? You have not sent us that agreement. Will that agreement be sent to us as a matter of course for approval or disapproval?

Mr. KWIATEK. No; as a matter of course, traditionally, claims agreements have never been submitted to the Congress for their approval. They have traditionally been considered, both by the executive as well as the legislative department as Executive agreements. And they have never been submitted.

I should also like to point out that this was accepted by the Congress when it enacted the International Claims Settlement Act of 1949. It made provision in these that this kind of agreement should be merely submitted to the Commission for the purpose of adjudicating and distributing the funds. And this was recognized by the Congress in 1949 in the basic act.

Senator GRAVEL. Was there any interest at all on the gold all that time it was there?

Mr. KWIATEK. No; it was just the actual physical gold that is sitting there, it is not invested anywhere.

Senator GRAVEL. Then how would we, Mr. Chairman, get the point across to State that we do not like the agreement?

Senator HARTKE. I do not think there is any question about that.

Mr. JENKINS. We have guessed that already, Senator.

Senator HARTKE. I think it is pretty clear what the nature of the situation is, and I do think it is appropriate for you to notify your superiors and notify the Secretary of State, and I think it is inappropriate for us to proceed further here at this time in the absence of Senator Long unless there is a ruling by the committee to the contrary.

Senator BYRD. Senator Long urged the committee to proceed as it wished.

But I have no further questions.

Mr. ARMITAGE. I would just like to answer Senator Gravel, because he touched on a key point about the negotiating situation, as to whether or not the Czechs will come to us. I think our judgment would be that our claims holders would have to wait for some time before we got another settlement, in spite of the logic—I do not argue with your logic, and I do not argue that the accretion of the gold value is more dynamic than it was earlier.

Senator HANSEN. Then they probably would not find—I expect many of them are dead already if the Czechs have had the property since 1949. So I am not exercised by that point.

Mr. ARMITAGE. But some of the claimants, sir—there are others who may be in that unhappy situation.

Senator HANSEN. I was called on yesterday, as I suspect many have been, and I understand that there certainly is not much jubilation over the kind of settlement that has been worked out by the State Department.

Mr. KWIATEK. Our information is to the contrary, sir.

Senator HANSEN. All I said is that at least one claimant is very unhappy.

Senator HARTKE. Why do we not terminate this and relieve you of further action on that on the ground that if you want to submit any additional information to the committee you may do so, or if it is necessary to call you back, we will do so.

Thank you.

Senator GRAVEL?

Senator GRAVEL. I would like to press for the motion. I think the members know it. And I think Senator Long was looking for new information to come forward. The information is merely an affirmation of details.

[Whereupon at 3:15 p.m., the hearing was recessed.]

Executive Session
CZECHOSLOVAKIA CLAIMS SETTLEMENT

THURSDAY, SEPTEMBER 26, 1974

U. S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess at 2:45 p.m., in room 2221, Dirksen Senate Office Building, Senator Russell B. Long (chairman) presiding.

Present: Senators Long, Talmadge, Fulbright, Hartke, Harry F. Byrd, Jr., of Virginia, Nelson, Mondale, Bentsen, Gravel, Bennett, Curtis, Hansen, Fannin, and William V. Roth, Jr.

STATEMENT OF ROBERT S. INGERSOLL, DEPUTY SECRETARY OF STATE; ACCOMPANIED BY JOHN ARMITAGE, DEPUTY ASSISTANT SECRETARY FOR EUROPEAN AFFAIRS; KEMPTON JENKINS, DEPUTY ASSISTANT SECRETARY FOR CONGRESSIONAL RELATIONS; AND FABIAN KWIATEK, ASSISTANT LEGAL ADVISER FOR INTERNATIONAL CLAIMS

Mr. INGERSOLL. Thank you very much, Mr. Chairman.

I am Robert S. Ingersoll, Deputy Secretary of State. With me I have John Armitage—Deputy Assistant Secretary for European Affairs; Kempton Jenkins, Deputy Assistant Secretary for Congressional Relations; and Mr. Fabian Kwiatek, Assistant Legal Adviser for International Claims.

First, Mr. Chairman, let me reply to your letter of September 19. You asked for assurance that no action should be taken to approve or formalize the draft agreement with Czechoslovakia or to release the gold held by the Tripartite Commission until the Congress and the President have completed consideration of the trade bill. Let me assure you that no such action will be taken.

Also let me thank you for the opportunity to appear before the committee and testify on the amendment to title IV of the Trade Reform Act concerning Czechoslovakia. As our representatives stated before your committee on September 11, and as we subsequently wrote in a letter to the chairman, the Department recommends against enactment of the legislation.

The amendment provides that the Czechoslovak Government should settle in full all outstanding claims adjudicated by the Foreign Claims Settlement Commission. It rests on the proposition that to settle for less than 100 cents on the dollar would not be in the best interests of the claimants, and that the gold, most-favored-nation treatment, and credits should be withheld pending such a settlement.

I appreciate the committee's desire to see that U.S. claimants receive fair compensation for property that was taken from them after the war. And certainly we share that desire. It is our view, however, that passage of the amendment would not bring the benefits anticipated by its sponsors.

First, with respect to the Czechoslovak gold, several committee members have suggested that the United States vest and sell the gold to satisfy domestic claimants. I would point out that the gold in question was taken from Czechoslovakia by the Nazis during World War II. Czechoslovakia's right to the return of gold is firm and uncontested. Under the Paris Agreement of 1946, the United States, the United Kingdom, and France as members of the Tripartite Commission with custody of the gold have a legal obligation to return the gold. There is no time limitation for the return. The Department as a matter of policy decided not to consent to the release of the gold until the Government of Czechoslovakia settled claims of U.S. nationals. We have no legal authority to vest and sell the gold to satisfy domestic claimants, and we have no legal way to attain that authority. This view is shared by the British and French Governments.

Senator BENNETT. May I interrupt at this point?

Does that mean that either the British or the French Government can veto attempts to sell the gold on the ground that they are also members of the Tripartite Commission?

Mr. INGERSOLL. That is my understanding, sir.

The CHAIRMAN. Let me ask you this. How did you get that steel mill that you took and sold to satisfy foreign claims?

Mr. INGERSOLL. That was through domestic legislation.

The CHAIRMAN. It did not take any domestic legislation for you to seize it and sell it, did it?

Mr. INGERSOLL. No, but there were no other—yes, it took legislation to seize and sell it; yes, sir. But there was no—

The CHAIRMAN. Well, that is what we propose, to give you whatever legislation is necessary to seize and sell that gold.

Mr. INGERSOLL. I appreciate it, but that would be contrary to an international agreement to which we were a party.

Senator BENNETT. I think we are going to be seized and sold to go and vote.

Senator FULBRIGHT. In other words, the mill was not a part of the Tripartite Commission.

Mr. INGERSOLL. That is right, sir.

The CHAIRMAN. Well, now, you start out by saying that this gold was stolen from Czechoslovakia and that Czechoslovakia had the right to the return of their gold. From our point of view, when a Communist government takes over, they seize and put into slavery every human body, and they also seize and steal every dollar that anybody owns. That is the official point of view of this Government, which is why the claim is owed to our claimants. Since they do not respect any of the rights of our people, we do not respect any of theirs, and we just take whatever we can lay our hands on and use that to pay our claimants. That is what we did with the steel mill, was it not?

Mr. INGERSOLL. Right.

The CHAIRMAN. All right.

Then why should we not take the same attitude with the gold?

Mr. INGERSOLL. Because we are involved in an international agreement to which we were a party and agreed to return the gold. I think there is a difference, Mr. Chairman.

The CHAIRMAN. Well, we will just check it out. Last time your people were up here before me, you told me that the gold was in a Swiss bank. Now I understand it is in an American bank. Which statement is correct?

Mr. INGERSOLL. I beg your pardon, sir.

The CHAIRMAN. Or British bank.

Mr. INGERSOLL. That is right. It was in a British bank.

The CHAIRMAN. What bank is it in now?

Mr. INGERSOLL. Part of it is in the United States, and part of it is in Europe; yes, sir.

The CHAIRMAN. And how much is in which?

Mr. INGERSOLL. I cannot tell you. I do not know what proportion, but I know part of it is here and part of it is in Europe.

The CHAIRMAN. And the part that is in Europe is in what bank?

Mr. INGERSOLL. In a British bank, I understand.

The CHAIRMAN. Your people asked for this hearing, and I would have thought that you would have brought that information. But I would appreciate it if you would give us a statement of where that gold is held and how much is held here and how much is held there, and as of what date.

Mr. INGERSOLL. Well, we can get—I believe we can get that information, but the point I was trying to make earlier is that I do not believe it makes any difference from the standpoint of our legal obligation to return the gold, where it is being held.

The CHAIRMAN. Well, how do you feel about Czechoslovakia's legal obligation? That Communist government can make good the claims of all of our American citizens for all of the property taken and seized by that government.

Mr. INGERSOLL. I feel as strongly as you do, Mr. Chairman, about that.

The CHAIRMAN. Well, are they not in violation of our citizens' legal rights?

Mr. INGERSOLL. They are in violation of what we consider our legal rights, yes.

They do not look at it the same way we do.

The CHAIRMAN. As far as I am concerned, that is the attitude we took about the steel mill. They were in violation of the rights of our citizens. We just seized and sold something that rightfully was theirs, except for the fact that they had just got through stealing from us.

Mr. INGERSOLL. I think we can do that as we did with legislation of assets that are not tied up in an international agreement.

The CHAIRMAN. Well, next we will settle that one, but the way it appears to me up to now is the first thing you do not do when people start stealing is to let them get away with any of it.

Mr. INGERSOLL. I agree with you.

The CHAIRMAN. So anything you are holding when they start stealing from you, do not give it to them. That to me makes sense because it discourages stealing.

Mr. INGERSOLL. I agree.

The CHAIRMAN. Well, let us go on to the next point.

Mr. INGERSOLL. Alternatively, it has been suggested that the United States should continue to withhold its permission to release the gold to increase pressure on the Czechoslovak Government to make a better settlement than the one we have negotiated. It is our firm conviction that such an action by the United States would not bring the Czechoslovaks promptly back to the bargaining table. We do not believe that the Czechoslovak Government would, in the foreseeable future, be willing to participate in new negotiations on the claims, particularly if they knew in advance that we would demand settlement in full of the claims in order to have the gold returned.

The Czechoslovaks are secure in the knowledge that the gold is theirs and that we have an obligation to return it.

The CHAIRMAN. If I may interrupt you again?

Mr. INGERSOLL. Surely.

The CHAIRMAN. I will try to avoid interrupting you again, but I was not the first one to interrupt.

The Czechoslovaks will not be secure in that knowledge if we do what I would advocate we do and tell them they will never get their gold, not between now and Kingdom Come, if they believe in a Kingdom Come. Otherwise, the end of time, whenever that comes. They will just never get it unless and until they satisfy these claims.

So they would not be the least bit secure if we do it my way. Your way, yes, they would feel very secure. My way, they would be the most insecure people I could conceive of.

But go on ahead.

Mr. INGERSOLL. All right, sir.

They have waited almost 30 years for its return and, while its value has increased, they are likely to be willing to wait a longer time if they consider our demands unreasonable. They consider that they have already made a major effort to meet our position in the negotiation. They regard the settlement as a major step forward taken to improve our relations. In our judgment, they would react sharply and negatively if we repudiate the initialed settlement.

The initialed claims settlement is deemed, in our opinion, satisfactory.

We believe that the claims settlement agreement initialed in July is highly satisfactory from the standpoint of U.S. interests. It is the most favorable settlement we have concluded with any Eastern European country during the postwar period, except for Bulgaria. The Czechoslovaks have agreed to make payments totaling \$20.5 million. With the \$9 million which has already been distributed to U.S. claimants from the sale of the sequestered steel mill, the total settlement is \$29.5 million. It is also significant that the Czechoslovak Government accepted our position that only the \$9 million from the sale of the steel mill would be credited to the settlement instead of the \$17 million that the Czechoslovaks paid for the mill. From their point of view that makes the total settlement equivalent to \$38.5 million.

The \$29.5 million amounts to about 42 cents on the dollar of the principal amount adjudicated by the Foreign Claims Settlement Commission. The payment rate compares favorably with settlements concluded with other Eastern European countries, such as Poland at 39 cents and Romania at 37 cents. Moreover, it compares favorably with similar settlements reached by other Western European countries, one of which was as low as 9 cents, while few exceeded 25 cents.

The repayment terms are also more advantageous than other recent settlements. The repayment period is 12 years rather than 20 years as is the case with settlements we have concluded with Poland in 1960 and Hungary in 1973. An accelerator clause, which I would emphasize is not tied in any way to granting MFN to Czechoslovakia as in the Hungarian settlement, could further reduce the repayment period to approximately 8 years. Furthermore, the initialed agreement calls for a full settlement of U.S. Government surplus property claims of \$7 million and it also commits the Czechoslovak Government to undertake negotiations with U.S. holders of defaulted pre-World War II bonds within 6 months after the agreement takes effect.

The CHAIRMAN. I am afraid we will have to recess. We will all hurry back. We have to go in a foot race to make the vote. We will come right back.

Mr. INGERSOLL. All right. Fine.

[Brief recess.]

The CHAIRMAN. All right, sir, you may resume.

Mr. INGERSOLL. I will start with the viewpoint of the claimants on page 6.

The CHAIRMAN. Yes, sir.

Senator FULBRIGHT. May I ask how much are those pre-World War II bonds that are involved in that previous sentence?

Mr. INGERSOLL. We are not sure but we think around \$7 million.

And that is one of the points I am going to make that those bondholders are anxious to get the commitment of the Czechoslovakian Government to negotiate on that within 6 months of the entry into force of the agreement.

I will read on.

Before beginning negotiations in September 1973 on the claims settlement issue, the Department had been in close contact with a number of claimants and their legal representatives. The Department briefed representatives of several large companies and attorneys representing 200 smaller claimants. During the discussions we pointed out that it was our hope to obtain an agreement comparable with that concluded with Poland. No objections were raised. On the contrary, a great majority approved.

Since the announcement of the initialing of an agreement with Czechoslovakia, the Office of the Legal Adviser in the Department has received literally hundreds of inquiries from individuals, Members of Congress, and the legal community. Although the specific terms of the settlement were not known to most individual claimants, their letters indicated a willingness to accept a settlement which would provide substantial compensation during their lifetime. A very small number of individual claimants, approximately 10, cautioned against returning the gold unless there was a payment of 100 percent on the claims. A few suggested that the gold be sold and partial payments made, but they gave no indication that they desired or expected a payment of 100 percent.

Numerous members of the legal community have expressed interest in the settlement. At one time or another most have been in contact with the Department of State. With few exceptions all were pleased with the terms of the settlement which they note are significantly better than most other settlements.

During his testimony before the Senate Foreign Relations Committee last week, Senator Pell asked Secretary Kissinger for his view on the movement to block conclusion of the claims settlement agreement. Secretary Kissinger said and I quote:

I believe it will be very unfortunate because I agree with you that the process of detente with the Soviet Union should be accompanied with an improvement of relations in Eastern Europe. It would be wrong for the United States to ameliorate its relationship with the Soviet Union while the countries in Eastern Europe, with which we have had a traditional bond, are kept behind.

Now, in the case of Czechoslovakia, we put this last on our list for the reasons of its recent history but, nevertheless, we felt that the time has now come; this is an agreement similar to ones we have made with other countries, and I believe that the actions that have been contemplated in the Finance Committee would have a very unfortunate effect and would be quite counterproductive.

I would add that passage of the amendment could also have adverse political effects in Czechoslovakia. It could injure the cause of those elements in the Czechoslovak leadership who favor the improvement and expansion of Czechoslovak relations with the West, including the United States.

The Czechoslovaks have also pointed out that the committee's action on September 11 raises serious questions about the credibility of the United States in future negotiations.

I mention this matter of the bondholders who are anxious that this agreement be concluded so that the Czech Government has a commitment to negotiate with the bondholders. I think there is one other point I would like to make, Mr. Chairman, and that is that it is estimated that at today's market value of gold if all of the adjudicated claims of the British, the French and the U.S. claimants were made out of the proceeds of the gold, it would only be about 50 percent or 50 cents on the dollar so that if you sold all of the gold it would not cover all of the claims. I am not recommending you sell the gold.

I think we legally are bound not to.

Senator BENNETT. Let me interrupt, Mr. Chairman. Is he talking about adjudicated claims or claims?

Mr. INGERSOLL. Adjudicated claims.

Senator GRAVEL. Perhaps I could clear that up, Mr. Chairman.

Mr. INGERSOLL. I would like to correct what I told Senator Fulbright. The value of those bondholders claims are about \$2.7 million. Rather than \$7 million it is \$2.7 million.

The CHAIRMAN. Have you concluded your statement?

Mr. INGERSOLL. Yes, sir.

The CHAIRMAN. If you would just remain there I would like to call Mr. Merrigan and let him make his statement for the other side. I think we ought to hear both sides of the argument and then we can interrogate you.

Senator FULBRIGHT. Could I ask just one question?

The CHAIRMAN. Go ahead.

Senator FULBRIGHT. That last statement you said, you said that the claims of British and French claimants which would also have the same relationship to gold that we have?

Mr. INGERSOLL. Well, I do not know that anybody has a relationship with gold but they are the members of the Tripartite Commission.

Senator FULBRIGHT. Do you know how much the British adjudicated claims and the French adjudicated claims are?

Are they comparable to ours?

Mr. INGERSOLL. We do not know the exact figure but we estimate that the figures that we are somewhat acquainted with would come out to about 50 percent, or 50 cents on the dollar if the total amount of gold was sold.

Senator FULBRIGHT. If the gold was sold at the present price and all of it applied to the British, French, and American claims, it would come out at approximately 50 cents on the dollar?

Mr. INGERSOLL. Roughly, yes, sir.

Senator FULBRIGHT. All right. Thank you.

The CHAIRMAN. Now let us hear the other side of the argument.

STATEMENT OF EDWARD L. MERRIGAN, SMATHERS, MERRIGAN & HERLONG, ATTORNEYS AND COUNSELORS AT LAW

Mr. MERRIGAN. Mr. Chairman, my name is Edward L. Merrigan; I am a member of the firm of Smathers, Merrigan & Herlong of Washington, D.C., and I appear here today as counsel to Aris Gloves, Inc., a relatively small American company whose two glove manufacturing plants, bank accounts and other property located in Czechoslovakia were taken and nationalized in 1947, approximately 27 years ago, without the payment of any compensation, by the Communist Government of Czechoslovakia.

I deeply appreciate the opportunity the committee has provided for my appearance this afternoon. The purpose of my testimony, of course, is to support the amendment to the pending Trade Reform Act this committee approved on September 11, pursuant to which Czechoslovakia will not become eligible for most-favored-nation treatment under our tariff laws, for U.S. Government credits or guarantees, or for the release of more than 18 tons of gold belonging to that country which our Government has effectively kept and controlled for almost 30 years, until Czechoslovakia first pays at least the principal amounts it owes U.S. citizens on 2,630 fully adjudicated awards rendered against Czechoslovakia by the Foreign Claims Settlement Commission of the United States. Those awards were all rendered in 1962, more than 12 years ago, as directed by the Congress in Public Law 85-604.

When Czechoslovakia fell under Communist control shortly after the end of World War II, it acted promptly to confiscate and nationalize all properties located in that country owned by U.S. citizens. No compensation of any kind was offered or provided.

In retaliation, and as a means of securing compensation for the nationalized U.S. properties, the U.S. Government took two decisive actions:

One. It seized and blocked all assets of Czechoslovakia subject to direct U.S. jurisdiction or control; and

Two. It announced that, as a member of the Tripartite Commission for the Restitution of Monetary Gold, established in 1946 under the Paris Reparations Agreement to handle claims for restitution of gold looted by Germany during the war, it would not consent to the release of 18.4 tons of gold belonging to Czechoslovakia until the latter first provided fair, acceptable compensation to U.S. citizens whose properties had been nationalized.

Under the terms of the 1946 agreements creating the Tripartite Commission, all of its actions must be by "unanimous agreement of its members." Thus, our Government's action effectively blocked restitution of the 18.4 tons of gold to Czechoslovakia in the late 1940's, and it continues to do so today.

In 1958, when Czechoslovakia continued to fail to provide compensation for the American properties, Congress passed Public Law 85-604, which directed the U.S. Foreign Claims Settlement Commission to adjudicate the longstanding U.S. claims against Czechoslovakia. In addition, Congress created a Czechoslovakian claims fund in the Treasury to consist of the net proceeds of sale of Czechoslovakian steel mill equipment the Secretary of the Treasury had theretofore blocked and sold pursuant to an Executive order issued by the President of the United States.

Congress provided further that, if the Government of Czechoslovakia failed voluntarily to pay the outstanding U.S. nationalization claims within a year from August 8, 1958, the \$9 million fund so established would be used by our Government to provide partial compensation to its claimants.

Czechoslovakia, of course, failed to make any such payment, so the \$9 million belonging to that nation was utilized by our Government in the manner just indicated. Approximately \$500,000 of that sum was consumed by our Government's administration of the fund, so the net amount finally available for distribution to claimants in 1962 was only approximately \$8.5 million.

The 4,024 U.S. citizen claims asserted against that fund, however, amounted to \$364 million. After 3 years of adjudication, the Foreign Claims Settlement Commission allowed only 2,630 of the asserted claims, and when it completed its work in 1962, the total awards rendered against Czechoslovakia amounted to \$113,645,205.41.

The principal amount of said awards was \$72,614,634.34. Interest at the rate of 6 percent per annum from 1949 to 1958, the year in which Congress passed Public Law 85-604, was allowed by the Commission and the Treasury. The interest allowed totaled \$41,030,571.07, bringing the total debt of Czechoslovakia, as of that time, to \$113,645,205.41. The Treasury thereupon disbursed the \$8,540,768.41 fund against the total awards, thereby reducing Czechoslovakia's debt, as of that time, to \$105,104,437, no part of which has since been paid.

If interest at the rate of 6 percent per annum on the principal portion of that indebtedness is added from August 8, 1958, to date, Czechoslovakia's total indebtedness to the American awardholders at the present time amounts to approximately \$175 million.

In the meantime, the 18.4 metric tons of Czechoslovakia gold controlled by the United States through the Tripartite Gold Commission and believed to be located, in part at least, here in the United States, has grown from an initial value in 1946 of approximately \$20 million to sums today in excess of \$100 million, the exact value depending on market quotations which have recently ranged between \$151 and \$170 an ounce on the New York and London markets. On September 4, 1974, the Wall Street Journal carried a lead article on its front page which quoted gold experts as predicting that, as a result of legislation passed by Congress which terminates the ban on gold ownership by

U.S. citizens effective December 31, 1974, the price of gold can be expected to rise dramatically, perhaps to as high as \$400 an ounce.

If that should occur, wholly or partially, the 18.4 tons of gold here involved will shortly be worth in excess of \$200 million or more.

Moreover, during recent years, Czechoslovakia, like the Soviet Union and other Communist-bloc nations, has been clamoring for most-favored-nation treatment under our tariff laws, and it has expressed great interest in the possibility of U.S. loans, credits, and guarantees.

Title IV of the Trade Reform Act, as passed by the House of Representatives on December 11, 1973, and is now before this committee, authorizes the President to extend these exceedingly valuable benefits to Czechoslovakia and other Communist-bloc nations.

Indeed, as this committee already knows, the granting of these new trade and credit opportunities to Czechoslovakia will, in the final analysis, be far, far more valuable to that country than the release of the vastly appreciated gold, even if it continues to rise in value as projected by the experts. Most-favored-nation treatment will create hundreds of millions of dollars of new trade benefits for Czechoslovakia each year.

And one need only look to the past to determine what Czechoslovakia wants in the way of loans and credits.

For example, during the short 2-year period from 1946 to 1948, before Czechoslovakia fell victim to communism after World War II, the United States extended outright grants and long-term credits to Czechoslovakia, totaling \$191 million. No assistance of any kind has been extended since the Communist takeover and the seizure of U.S. properties.

Also, in other similar cases, Yugoslavia, for example, after it settled its debts for the nationalization of U.S. properties after World War II, sought and the United States extended economic assistance totaling more than \$2.7 billion in loans and grants over the period from 1946 to 1973.

More recently, in the case of the Soviet Union, after the resumption of limited trade relations in 1972, the Russians sought and the United States immediately extended, in just 1 year, 1973, Eximbank loans of \$101,200,000 and short-term credits of \$750 million or a total of \$851,200,000.

Czechoslovakia, therefore, certainly has extremely important, urgent reasons at the present time to want to settle the relatively minute U.S. nationalization awards as a price for, one, the return of its gold; two, the extension of favored trade relations; and three, reinstatement of its eligibility for U.S. loans, grants, and credits.

It was hardly surprising, therefore, that late last year, with the price of gold up and climbing, and with Congress well along the road to passing the trade bill which opens the door to the benefits just described, Czechoslovakia suddenly indicated its willingness to improve its relations with the United States and to negotiate for settlement of the 27-year-old U.S. nationalization claims.

Considering the extremely strong position thus enjoyed by our negotiators, the long-suffering U.S. awardholders had genuine reason to hope that soon justice would triumph and their 1962 awards would be paid in full in 1974.

Unfortunately, however, those hopes were short lived. By July 1974, our State Department, apparently completely unaware of the obvious strength of its negotiating position and seemingly bent on making Czechoslovakia eligible for all the benefits described above at almost any price to the U.S. citizens it purported to represent, initialed the following draft agreement, which I respectfully submit is one of the worst in the history of U.S. foreign relations:

1. The United States agreed therein immediately to release the 18.4 tons of gold to Czechoslovakia at the Swiss Bank in Zurich. It agreed also to release forthwith all other blocked assets belonging to Czechoslovakia, and to transfer same to Czechoslovakia immediately.

2. The United States simultaneously agreed that all claims of U.S. citizens against Czechoslovakia, including the awards mentioned above on which Czechoslovakia owes approximately \$105 million exclusive of interest to date, would be settled for \$20,500,000, to be paid as follows:

(i) The sum of \$4 million upon the early signing of a more formal agreement and upon release of the gold and the other blocked assets;

(ii) The sum of \$16,500,000 in 12 annual installments, payable in June of each year after the formal agreement is signed and after the gold and other assets are released.¹

3. In addition, of course, the basic understanding supporting the whole proposed agreement is that, as soon as Congress passes the Trade Reform Act, now before this committee, Czechoslovakia will promptly become eligible for most-favored-nation treatment and for the extension of U.S. loans, credits, and guarantees.

The State Department has repeatedly described the aforementioned settlement to this committee as "the most favorable one we have concluded with the Eastern European countries in postwar years." I notice the Deputy Secretary did admit today that the settlement with Bulgaria was better. The Department has also repetitiously asserted that it promises a return of "42 cents on the dollar" to the U.S. awardholders. Both of these statements are patently false.

First, far more favorable settlements were made, after World War II, with Yugoslavia, Italy, Bulgaria, and in the case of our war claims, with Germany.

On July 19, 1948, for example, an agreement was signed by the State Department with Yugoslavia whereby that Communist-oriented nation paid the United States \$17 million to settle its nationalization awards which totaled, with interest included by the way at the rate of 6 percent per annum, to only \$18,817,904. Thus, Yugoslavia, an East European neighbor of Czechoslovakia, was required to pay almost 100 cents on the dollar to the U.S. awardholders, with interest included.

After World War II, Italy was required to make \$5 million available to the United States to pay awards rendered by the Foreign Claims Settlement Commission against that nation. Ultimately, the awards totaled only \$3,659,311, including interest. Again, therefore, the U.S. awardholders were paid 100 cents on the dollar, including interest.

¹ Czechoslovakia agreed to increase the amount of an annual installment in any year wherein 4 percent of the dollar proceeds of its imports into the United States exceeds the otherwise programed annual installment of \$1,875,000. In other words, if Czechoslovakia's new trade relations with the United States are as profitable to Czechoslovakia as expected, it will add 4 percent of those payments to its annual installments, and thus reduce the payment period to perhaps 10 years.

In the case of U.S. war claims against Germany, small business awardholders such as the claimant we represent and other claimants preferred by Congress were paid 100 cents on the dollar of their war damage property claims against Germany.

The remaining awardholders received approximately 65 cents on the dollar of their awards, and as further German assets are liquidated to pay Germany's debt, they will receive more in the future.

And, of course, Yugoslavia, Italy, Germany, and Bulgaria were compelled to make cash settlements with the United States, so when the awards were adjudicated in the postwar years, the U.S. citizens involved were paid immediately—they were not required to wait 12 years for noninterest bearing installment payments, as the State Department proposes in the case of Czechoslovakia.

Worse yet, however, is the false claim that the proposed settlement with Czechoslovakia guarantees 42 cents on the dollar to the U.S. awardholders. The true facts are really quite obvious as follows:

1. If the \$20,500,000 installment payment arrangement is applied against the \$105 million balance owed on the outstanding awards, the awardholder will receive only 19 cents on his 1947 dollar in 1987.

2. If the \$20,500,000 installment payment arrangement is applied against the \$175 million presently owed by Czechoslovakia on the awards, with interest to date included, the awardholder will receive only 11.5 cents on the dollar in 1987.

3. If the \$20,500,000 installment payment arrangement is applied against the \$72,600,000 principal portion of the outstanding awards only, the U.S. awardholder will receive only about 28 cents on his 1947 dollar in 1987.

4. If the \$20,500,000 installment payment arrangement is applied against \$64,100,000 only, that is, the \$72,600,000 principal amount of the awards, less the \$8,500,000 payment made in 1962, the U.S. awardholder will receive 32 cents on his 1947 dollar in 1987.

But unfortunately, the disastrous portents for the U.S. awardholder do not end there. Under the agreement between Czechoslovakia and our State Department, other U.S. claimants against Czechoslovakia who do not presently hold awards issued by the Claims Commission, are also made eligible to share in the \$20,500,000 installment payment arrangement.

That is a hidden provision in the agreement.

Approximately \$250 million of such claims were previously denied by the Foreign Claims Settlement Commission, and a good portion of those might now become eligible for reinstatement. Obviously, the addition of such an unspecified amount of claims could well reduce the ultimate distribution to the U.S. awardholders to almost nothing in the final analysis, but our State Department proposes to give Czechoslovakia a blank check release and a 100-percent return of the security we hold before the amount of those claims are even determined.

Finally, of course, since the bulk of the \$20,500,000 Czechoslovakia promises to pay under the proposed agreement is to be paid in 12 annual installments, it is highly possible that Czechoslovakia will ultimately fail to perform. Just this week, Secretary Kissinger was bemoaning the overall condition of the world's economic and political situations.

If our economic or political relations with Czechoslovakia deteriorate before the 12 annual installments are paid, we may never see full payment of even the \$20,500,000—and what can we possibly do to protect ourselves, after our Government releases all the security it presently holds to assure payment?

The conclusion, then, Mr. Chairman, is that the amendment adopted by the committee on September 11 is thus crucially important to protect the fair, valid interest of thousands of American citizens whose properties worth tens of millions of dollars were taken and are still held and enjoyed by the Government of Czechoslovakia. The contention that this action might somehow offend the British, or the French, or Czechoslovakia is perfectly specious, because essentially all the amendment does is preserve the status quo until Czechoslovakia is willing to pay the minimal amount of approximately \$72 million or \$64 million, if you please, if you credit them with the \$8 million already paid in settlement of the principal amount of the outstanding U.S. awards as a quid pro quo for:

On the release of its gold, which has grown in value from \$20 million to at least \$100 million during our Government's trusteeship.

An interesting fact here is that Czechoslovakia could easily pay the entire \$72 million owed to the United States out of the gold alone and still recover a \$10 million dividend on the 20 million dollars' worth of gold that we originally took in 1946. Moreover, we are not defenseless here in our right to protect our interests in the gold. The U. S. Supreme Court just 2 years ago, in the case of *First National Bank v. The National Bank of Cuba*, ruled that even a private bank in the United States has the right, when it holds property of a foreign nation as a security for a loan and has excess security over the value of the loan, then if its properties are expropriated by that foreign country, the bank has the right to offset the override of the security against the expropriated amount.

Now if the Supreme Court of the United States can find that constitutional and legal for a private bank, I cannot see any reason why the U.S. State Department cannot go to the World Court or some other international body and have a legal determination made of what Czechoslovakia owes us and offset it against whatever interest we have in the gold. In substance, I think that this decision by the U.S. Supreme Court, which is very recent, only 2 years ago, certainly shows that we are not left defenseless.

Now, this quid pro quo that this amendment would be asking, Czechoslovakia would get first the release of the gold and then it is going to get the extension of most-favored-nation status, which means hundreds of millions of dollars a year in new trade benefits, and then it would extend to them the eligibility for participation in U.S. economic assistance programs—all for the very low price of paying only a part of what Czechoslovakia owes to the U.S. awardholders.

I think the State Department is armed here with unique bargaining power and negotiating power that it never had when it dealt with Poland, never had when it dealt with a lot of these other countries that we have been talking about.

But, even where it was left defenseless in some of these other cases, where it did not have such bargaining power, it made better settlements.

I submit the settlement with Poland is better than this settlement.

I submit the settlement with Yugoslavia is better.

I submit the settlement with Bulgaria, Italy, Germany—all of those countries—is better than what we have before us here today.

The CHAIRMAN. I would like our State Department friends to know that this is the Senate Finance Committee they are testifying before, and not before the Foreign Relations Committee. I say this because I served on that committee. When you come over here I would suggest you leave your Santa Claus costumes outside this door. I have seen members who have served on both committees go before that Capitol Building and proceed to vote to give away everything, including what I once thought was an Indian, but now I am told that it is a statute of Freedom, on top of the Capitol Dome—and having done that, proceed to walk over here to the Senate Finance Committee and the same members, man for man, proceed to be as tight as Dick's hatband about giving away something where they had to pay for it, which we do on this committee.

Everything that the Government spends has to be raised by taxes, and this committee has the responsibility of raising them. You are going to find when you appear before this committee that if you are going to make yourself a deal that is contrary to the interests of the people of this country, you will have grave difficulty getting it approved before this committee.

Now the testimony I personally have heard here today irritates me to the point that I do not know whether I can vote to give any of these Communist countries most-favored-nation treatment.

But after we think this matter over I think we will conclude, and I know I will, that until these claims are paid, I would not let them have any gold, I would not let them have any credits, I would not let them have any favoritism, I would give them the back of my hand.

And if you trade with those people that way they will respect you, it would seem to me.

Now here you are holding enough gold to where if you just hold the gold up you can make them pay the claims. But in addition to that, they want most-favored-nation treatment, and they are looking for loans from the Export-Import Bank. So is the Soviet Union.

If you just hold up those loans the Soviet Union would put the pressure on Czechoslovakia to make these claims good, or else do it in a different way and say we will not recognize it but we will look the other way while you sell the gold and pay your claims.

There are all sorts of ways in my judgment that these claims could be satisfied. But the idea of coming in here with this sort of deal where it looks as though you are going to pay them for the privilege of giving them more of your money or pay them for the privilege of giving them a trade advantage, now that to me is just not how you ought to do business with people.

I must say, that I am more convinced than I was before that we should not turn any of this gold loose until they pay those claims.

Now I am just speaking as one Senator. We will see how the others feel after we have had an executive session.

Senator FULBRIGHT. Well, I appreciate the frustration evidenced by the Senator from Louisiana. I might point out that it is not the Senate Committee on Foreign Relations and not the Finance Committee that

passes on the foreign aid bill. We have on a number of occasions recommended a much lower amount than the Senate. It is the Senate itself which has voted the bills and many members of this committee have voted to support them and I do not think all of this virtue in the Finance Committee is that warranted. It does not make the final determination on the foreign aid bill or any other bill.

Now there seems to be a good deal of confusion about the status of this gold.

As I understand it, the gold does not belong to us, is that correct? We have no legal title to it.

Mr. INGERSOLL. That is right.

Senator FULBRIGHT. And if we do not make the settlement the gold stays there and there is no way for us to use it, is there?

Mr. INGERSOLL. We are just the trustees under the 1946 agreement, along with Britain and France.

Senator FULBRIGHT. Well, under what way, Mr. Merrigan, do you think we can use the gold to pay your clients? How much claim does your client have against this?

Mr. MERRIGAN. The total claim of our client including interest is, for all the properties including the manufacturing plants, the bank accounts and all of the machinery, equipment taken is about \$600,000. That is the award. It includes interest.

Senator FULBRIGHT. Does that include interest?

Mr. MERRIGAN. That does include interest. The principal amount of the claim is \$451,000.

Senator FULBRIGHT. As of 19——

Mr. MERRIGAN. 47, or 49.

Senator FULBRIGHT. And so for 25, 26 years your claimant has not anything at all, has not received anything?

Mr. MERRIGAN. Well, he received a 5-percent payment when the steel mill was liquidated in 1962, but basically that was applied by our Treasury against interest. That was an \$8 million payment that was applied against the \$113 million to reduce the total debt to \$105 million.

In other words, he has really received nothing, and I tell you they are irate, Senator.

Senator FULBRIGHT. And your claimant would rather have nothing than this settlement?

Mr. MERRIGAN. We have had nothing for so long, that we are convinced that for the first time in the negotiating spectrum, in other words, we have now reached the point I think in our relations with Czechoslovakia, where they have more to gain from settling than continuing to stand off and we think that a better settlement than this could be obtained. And we would rather have nothing than the type of settlement that is proposed here because as I told you not only is the settlement payable over 12 years without interest, but the settlement agreement would authorize our Government to liquidate a lot of additional claims that are not included in the \$105 million.

And if those are litigated and they are in an unspecified amount today, these things could balloon to \$300 million in awards and we would receive nothing as a result of this settlement.

Senator FULBRIGHT. How would they be litigated when the Commission has disallowed them?

Mr. MERRIGAN. Well, they are claims, Senator, for example, of people who became citizens of the United States shortly after their properties were nationalized and they did not have citizen status on the date of nationalization.

They are citizens today and have been for decades now.

So these are the type of people who are still asserting claims which this agreement would allow the Commission to adjudicate if the Congress so provided.

They may have to go back to Congress and get an amendment to the International Claims Settlement Act but there is the danger that after we let the blocked assets go, after we grant them most-favored-nation status, then suddenly we will wake up and find out we are not talking about the low percentage that I have testified to but something like 4 cents on the dollar or maybe nothing, close to nothing.

So we would rather have nothing than what they propose.

Mr. INGERSOLL. Senator Fulbright, those claims are no longer considered legitimate because the claimants were not citizens at the time. There was a cutoff point I guess of 1949.

Mr. MERRIGAN. Well, what I am talking about, Secretary Ingersoll and I am being very respectful about this, is the agreement itself says that you waive all claims of the United States and its citizens against Czechoslovakia and you authorize the United States to adjudicate the additional claims against the \$20 million fund and the \$20 million fund settles all of them.

Mr. INGERSOLL. You would have to change the rules then upon which the others were adjudicated.

Mr. MERRIGAN. You would have to change the rules but I take it you had something in mind when you went to all the trouble of putting that in the agreement.

Senator FULBRIGHT. Is this the only outstanding country of Eastern Europe whose claims have not been settled?

Mr. INGERSOLL. Yes, sir.

Senator FULBRIGHT. All the others have been settled?

Mr. MERRIGAN. Senator, could I get back to the gold, because you know you asked me that question and I never did answer it.

Senator FULBRIGHT. Yes.

Mr. MERRIGAN. I referred you to the *First National City Bank* case which is a decision of the Supreme Court in 1972. Now there, the National City Bank did not own the property it took. It had that property. It was holding that property as security for a debt.

In other words, the National City Bank of New York had loaned the National Bank of Cuba a certain amount of money, and they held as security more money than the debt.

When Cuba nationalized all of the properties belonging to the National City Bank, the National City Bank immediately paid the loan with the security and then applied an additional \$1,800,000 to the value of its appropriated properties, and of course, the State Department and several others objected to that, and there was a litigation about it.

I think the Bank of Cuba sued the National City Bank. The Supreme Court held that it was perfectly constitutional and perfectly lawful for a private bank, a private citizen, which is holding security,

to apply that security against the debt owed to it by another country for expropriation of its properties.

If that be true, and I am not going to offer myself as an international law expert, but there must be some brains in this country that could find a forum where we could litigate against that gold.

We do not own it. They own it. But we hold it as security.

If the National City Bank of New York can do that with the National Bank of Cuba's property, why cannot we?

Senator FULBRIGHT. How much of the gold do we have the physical possession of?

Mr. MERRIGAN. Well, you, Senator, some years ago as chairman of the Foreign Relations Committee wrote to the State Department and asked for that information, and they replied to you, sir, that it was a secret.

The Washington Post has reported in two articles that the gold was located in Fort Knox.

We have asked the State Department on numerous occasions where it was, but because I think they think we might try to attach it in a litigated matter, they will not tell us where it is, and the settlement says that the gold will be transferred to Czechoslovakia in the Swiss Bank at Zurich.

We still have every reason to believe that some of that gold is in this country.

Maybe Secretary Ingersoll is prepared to tell us where it is.

Mr. INGERSOLL. We mentioned that part of it is in the United States.

Senator FULBRIGHT. Part of it is where?

Mr. INGERSOLL. In the United States, and part of it is in Europe. The chairman asked this earlier in the hearing.

Senator GRAVEL. Would the Senator yield on this point?

Senator FULBRIGHT. I will yield.

Senator GRAVEL. Why would our State Department not tell American citizens where assets are being held, even if they suspected that they might sue? I mean, why would they want to deny, as part of a policy, rights that citizens would have in our country?

Mr. INGERSOLL. I did not deny it. I told you where it was.

Senator GRAVEL. I mean, Mr. Merrigan just made a statement that his client—

Mr. INGERSOLL. This may have been some time earlier, but I have told the chairman where it is now.

Mr. MERRIGAN. Senator, I did not mean to imply that Secretary Ingersoll took that position, but some people in the State Department have taken that position over the years, even with the Foreign Relations Committee in writing.

Senator GRAVEL. But still, it must have been a policy of someone in State that they hold themselves different—

The CHAIRMAN. Well, I would not call that a very forthright answer that you have given us up to now. Your people asked for this hearing because you apparently did not think you had been adequately prepared to explain the case properly on September 11, and the question was asked the previous time.

Now, what answer did you give me this time? This was the third time the question has been asked, and you say, well, some is here and some somewhere else.

Some is here and some is in Europe. How much is here and how much is there?

Mr. INGERSOLL. I do not know, but I would be glad to give you a letter in writing as to where it is after the meeting, Mr. Chairman.

The CHAIRMAN. It would be nice if we could get the answer eventually.

Senator Fulbright asked some years ago, and we asked a couple of days ago, where the gold is located. To me it is rather frustrating to have your own people suggest there might be grave difficulty reaching that gold because you might have difficulty finding out where it is. Senator. Then I asked, well, where is it? And then I find out you are not going to tell me.

Mr. INGERSOLL. I do not follow that.

The CHAIRMAN. Well, according to your witnesses, first it sounded to me like it is in Switzerland, then it seems like it is in a British bank, then we finally found out, well, some of it is over here, but we do not know how much.

You know, our good friends, the British and the French, find little things that they want us to do for them every now and then, a loan for this or a loan for that or a grant for something.

Maybe just in consideration for forgetting all that money that they owed and never paid after World War I, for example, they might be willing to just vote with us to turn loose that gold so we could sell it to satisfy these claimants.

Did you try that?

Mr. INGERSOLL. No.

The CHAIRMAN. Frankly, I do not think you tried much of anything to satisfy these claims. But now don't think I feel frustrated. I am happy the way it is. I would just hang on to that gold forever, and I would also see that they do not get any favors out of us until this matter has been cleared up.

Mr. INGERSOLL. Mr. Chairman, I think we ought to look at the position of most of the claimants who would like to get settlement and would like to have it settled as it has been adjudicated or has been negotiated.

We have had the bulk of the claimants say they would like to conclude the agreement as it has been negotiated because they have been waiting 25 years and would like to get something.

They have no idea how much longer it might take if we should continue negotiations.

The CHAIRMAN. I remember a court decision in Louisiana that caused me to make a substantial fee as a lawyer. It was not my case, but I took advantage of it subsequently. This was a case where we wanted to set aside a lease for an oil well. The people who were seeking to get the lease already knew there was oil beneath the property, but the fellow signing the lease did not know it. Nobody in his right mind would have signed that contract if he had known that there was oil beneath his property and had known that that company knew it. The court struck down that lease on the basis that the lease was acquired by fraud.

How well were the American claimants advised that they had a chance of getting 100-percent recovery on their claim prior to the time they said they would just be willing to settle for anything we could get?

Mr. INGERSOLL. I doubt if they were told they could get 100 percent on the dollar, but they knew the value of the gold and they knew it was here, or they knew it was in existence.

The CHAIRMAN. Well, they knew a lot more than the Congress knew, then.

Mr. MERRIGAN. Mr. Chairman, we do not consider ourselves to be sleepy lawyers in this city. We try to stay wide awake. I would say respectfully to the Secretary that I do not think the Department has put out any formal announcement of any kind to the claimants and in fact when this agreement was initialed in July of this year I went to the State Department and asked them for the information regarding the claims portion of it and was turned down on the information.

So again we went to the Foreign Relations Committee Staff which then requested that the agreement be sent to the Foreign Relations Committee so it could be studied prior to its execution and that was done in July and they had to call four or five times in order to get a copy of the agreement.

I do not know of any claimants and I know several lawyers who are in this field, who have been jumping up and down with joy about this because very few of them know what is involved in it.

I do not think any formal announcements have been made to the claimants.

In fact, my telephone——

Mr. INGERSOLL. There was a press conference held with the claimants' lawyers.

Mr. MERRIGAN. All I can say to you is this. That since the amendment to the bill was passed, and the State Department has been calling lawyers asking them to oppose this amendment, I have been getting calls almost every other day asking me to explain the position, whereupon most of them say you mean we are only going to get 4 to 10 cents on the dollar on this?

And they cannot believe what they have been told.

Mr. INGERSOLL. It was explained to them that they would get a settlement similar to that of Poland, so they know what that is.

Mr. MERRIGAN. Well, I say to you respectfully this settlement is far worse than Poland.

Mr. INGERSOLL. How do you arrive at that?

Mr. MERRIGAN. I arrive at that because in the Polish settlement, I think you described it as 39 cents on the dollar and I did not see how, given the calculations I testified to, that we can come anywhere near 39 cents on the dollar on this settlement.

Mr. INGERSOLL. Your figures included aid and trade and interest.

Mr. MERRIGAN. No, sir. In the statement, I refer again to the things on page 12. It was if \$20 million is applied against the \$105 million balance owed on the awards, the awardholder would receive 19 cents in 1987 on his 1947 dollar.

If the \$20 million installment payment is applied against the \$175 million, which is really owed with interest to date, it is 11.5 cents.

If the \$20 million is applied against the \$72 million principal figure which is the principal part of the awards, the awardholder will get 28 cents on his 1947 dollar in 1987.

Mr. INGERSOLL. Sure, you are taking the value of the dollar in 1947.

Mr. MERRIGAN. No, I am taking plain arithmetic.

Mr. INGERSOLL. Yes you are, you are taking the value, the depreciated value of the dollar since 1947.

Mr. MERRIGAN. No. I am not doing any depreciation. I am just saying if you get \$20 million now in installments on \$72.6 million you still only get 28 cents in 1987 on a 1947 dollar without any interest.

Then if you take the \$20 million installment payment against \$64 million, the U.S. awardholder still gets only 32 cents and so I say it is worse than the Polish agreement, so if you said it is as good as the Polish agreement, I think you misrepresented it to the lawyers who were there.

The CHAIRMAN. Senator Byrd?

Senator BYRD. Mr. Secretary?

Mr. INGERSOLL. Yes, sir.

Senator BYRD. The total amount which is claimed that has been adjudicated by the Foreign Claims Settlement Commission as I understand it is \$113,645,205.41.

Is that correct?

Mr. INGERSOLL. That is correct. That is including interest.

Senator BYRD. That is what the Foreign Claims Settlement Commission certifies is owed.

Mr. INGERSOLL. If you include interest.

Senator BYRD. That includes interest. I want to get an answer if I may to my question. That is what the Foreign Claims Settlement Commission certified is owed.

Mr. INGERSOLL. Right. The principal was \$72.5 million and the interest raises it to the \$113 million.

Senator BYRD. And the official agency puts the total owed by the Government of Czechoslovakia as the figure I mentioned, \$113,645,205.41.

Mr. INGERSOLL. Yes, sir.

Senator BYRD. So if you settle that at roughly \$30 million, \$29.6 million, you are settling at 26 cents on the dollar.

Mr. INGERSOLL. If you include the interest, yes, sir.

Senator BYRD. Well, the Foreign Claims Settlement Commission decreed that the interest should be included.

Mr. INGERSOLL. I understand that no other settlements have included interest.

I was trying to compare the other settlements.

Senator BYRD. I am trying to understand though, because several times during the discussions in another context it has come up that the Foreign Claims Settlement Commission has made such and such a decision.

Now do you accept the decision of the Foreign Claims Settlement Commission?

Mr. INGERSOLL. Yes, we do, sir.

Senator BYRD. So you accept that figure of \$113 million plus.

Now on the last page of your statement you say that the Czechoslovaks have also pointed out that the committee's action on September 11 raises serious questions about the credibility of the United States in future negotiations.

Would you comment on that?

Mr. INGERSOLL. Well, the negotiating parties reached an agreement, and initialed the agreement and the amendment would overturn that negotiation.

Therefore, the Czechoslovak Government would not know when they are making negotiations in the future just what kind of a settlement they had reached because it could be overturned further on as this one might be overturned.

Senator BYRD. Well, is it the State Department's position that whatever settlement the State Department makes should be the final settlement and Congress should take no action in that regard?

Mr. INGERSOLL. No. I think Congress has the right to make any settlement that it wishes to.

Senator BYRD. Did the State Department point out to the Czechoslovaks that the Congress could, if it so desired, make a different settlement?

Mr. INGERSOLL. Yes, very definitely.

As a matter of fact, I have been talking to the Czechoslovakian Ambassador that Congress has the right to make any settlement it determines.

Senator BYRD. Did the State Department do that before the settlement was initialed or after this controversy arose?

Mr. INGERSOLL. Well, I was not a party to the negotiation. Only since I have gotten into it have I discussed this with the Czechoslovakian Ambassador.

Senator BYRD. Well, what I am suggesting is how does it question the credibility of the United States in future negotiations if the State Department, if as you say it has done, has pointed out to the Czechoslovakians that the Congress may make changes if it so desires in the agreement?

Mr. INGERSOLL. Well, I would assume that the Czechoslovakian Government is aware of our legislative process and would know that Congress has the final authority on any of these matters.

Mr. MERRIGAN. Senator, could I add just one word to that?

Senator BYRD. Yes.

Mr. MERRIGAN. The agreement itself, Mr. Secretary, states on its face that it is specifically subject to approval by the State Department in Washington as I understand the announcement released in Prague on July 5 when it was signed, that it would not become effective until there were consultations with the Congress.

Mr. INGERSOLL. Well, I would assume that the Czechoslovakian Government would know that all along, that this would put them on notice to that effect.

Senator BYRD. Well, I am just curious about your statement that it raises serious questions about the credibility of the United States.

Mr. INGERSOLL. Well, the credibility of the negotiators I would say.

Senator BYRD. Well, that means that you feel the negotiators should have a blank check.

Mr. INGERSOLL. No, no. I do not think they have a blank check.

They believe—I was not part of the negotiating team but I am sure that they believed that they were doing the best negotiating job they could.

I think that anybody can look at a negotiation afterwards and decide it was not in the best interests of the United States as members

of this committee have and could say they wanted a better settlement.

Senator BYRD. I yield to the Senator from Alaska.

Senator GRAVEL. I think that Senator Byrd is really on one of the major points that I see in the whole exchange and it does not involve just Czechoslovakia.

Your statement reads, "The Czechoslovaks have also pointed out that the committee's action on September 11 raises serious questions about the credibility of the United States in future negotiations."

So there are two points to be made.

One is that the State Department feels—accepts the statement they are making.

They are making a statement which is really fallacious. In other words, the State Department is not the final authority on foreign policy in this country.

That is one, and the fact that you would accept this argumentation and offer it to us demonstrates that there is a feeling within State that this is a good point to make to us, that it is going to hurt our credibility. But, if you make a bad agreement—in the last 20 years is replete with cases of the Executive running off and making agreements and doing things unilaterally and then spoon-feeding it to the Congress, and telling us that if we do not go along with it, it is going to ruin our credibility. And now foreigners are feeding us that argument and you are translating it back to us.

This is diabolical. It strikes to the whole core of the negotiations—the tenure of the negotiation and the posture of our Government in this. In point of fact, the first thing you should do is educate foreigners to say, "Now we are starting on a trail but that trail is going to end with the approval of Congress. And at any step along the way this thing could falter if it is not right."

Mr. INGERSOLL. Well, obviously, as Mr. Merrigan pointed out, the process was described to the Czechs.

Senator GRAVEL. It could not have been, Mr. Under Secretary because if it was, they would not be making this argument to you. And if you seriously made that argument to them, you would not be then feeding it to us.

Mr. INGERSOLL. Well, there is a previous history on this of which I think you are aware, that negotiation was reached in 1964 and then was not concluded, principally because the claimants did not like the settlement.

Senator GRAVEL. That is not the point I am quarreling with; that is not the point that Senator Byrd has touched on.

The nerve ending he has touched on is that this would appear in your statement to the Congress.

That is where we are distressed.

Mr. MERRIGAN. Senator, what I was trying to do is to indicate that the Czechoslovakians could not honestly believe that the credibility of anybody was involved because the agreement states on its face that it was subject to approval by our Government.

And therefore, the Czechs could not have been misled that this was a final agreement.

Senator GRAVEL. Well this was the argumentation.

Mr. INGERSOLL. I did not mean to state it was a final agreement. We would not be here if it was a final agreement.

The CHAIRMAN. What that argument about credibility means is this: we should go the extra mile in approving this bad agreement because if we fail to do so, it might tend to undermine the credibility of our negotiator. My reaction is, that causes me to have some doubts about the whole trade bill.

If we were to be brought a series of bad trade agreements and be told that we should approve these or otherwise the foreign governments would lose faith in the American agents that negotiated them, my reaction to that argument is that if we do not have enough good sense to turn down bad agreements up here in the Congress, the people who vote for us are going to lose their credibility in us.

And then an even worse disaster than those \$20 million might occur—we might find that we are being removed from our jobs and put to work doing something else.

Mr. INGERSOLL. Well, I just think that because of the previous negotiations not having been concluded that they felt here is another one that they thought they had negotiated and reached an agreement and it may be turned down again.

I have no idea how soon they might enter into negotiations again. It is difficult to say.

Senator BYRD. I just have a couple of additional questions. Now I would like to get your view, Mr. Secretary, as to whether you feel that a settlement of roughly 26 cents on the dollar is an appropriate and reasonable settlement.

Mr. INGERSOLL. It is difficult for me not having participated in the negotiations to know how much give there is. I have been in lots of negotiations in my life and you have to be there to really know.

Senator BYRD. But you are here to argue that we accept this settlement.

Mr. INGERSOLL. Well, I have been told that this is the best that could be done at this time and since I believe that it is in line with what we have been settling with other Eastern European countries, I think it would be in the interest of the United States to settle and also the creditors who have been waiting a long time for something on their claim.

Senator BYRD. Now, let me ask. The State Department has negotiated a number of other settlements; let me ask you about another settlement.

The Russian debt was settled for 3 cents on the dollar plus an additional 24 cents provided Russia gets most-favored-nation treatment and provided the United States gives Russia credit to the extent of \$500 million.

Do you regard that as a good settlement?

Mr. INGERSOLL. I think it is difficult for me, not having been in the negotiation and having the background of that to determine whether it is a good settlement or not.

Senator BYRD. There again you are appearing before the committee, you are here at your request, to tell us about this settlement, and why you think we should not adopt the Gravel amendment and why we should accept the State Department's position.

Mr. INGERSOLL. Well, I thought you were asking me to comment on the Soviet settlement.

Senator BYRD. I did. But it all ties in. What I am suggesting is that fit all ties in with the pattern of the State Department, of being

willing to make any settlement just for the purpose of getting a settlement, is the way it appears to me.

Now, I will bring up the Indian debt. Do you feel that was a just settlement? Where \$3 billion in rupees was owed to the United States and we settled that at \$900 million.

Senator FULBRIGHT. \$900 million on about \$3 billion worth of rupees.

Senator BYRD. \$900 million on about \$3 billion. Is that \$900 million that you are going to get, or \$900 million that they are still going to owe you?

Senator FULBRIGHT. They are still going to owe you.

Senator BYRD. They are still going to owe you and pay for it over a period of years.

Mr. INGERSOLL. That was the point I was trying to make, Senator Byrd.

I think you have to look at the practicality as to whether you are going to get a settlement.

The same thing might be true in this Czechoslovakian settlement. Are you going to get a settlement better than you have now, or may the creditors have to wait another lifetime or another generation before they see it again?

Senator BYRD. I am just trying to get the thinking of the State Department now on these settlements. If this were an isolated settlement, I probably would not even be here arguing about it today, I would be over in the Senate, if this were just an isolated settlement, but it is not an isolated settlement. We are doing this all over the world.

And then the State Department comes in here with a *fait accompli* such as they did in India, such as they did with the Russian debt, and without any approval by the Congress at all, writes off these funds owed the American taxpayer. In this case it is not the American taxpayer, it is the American citizen.

Mr. INGERSOLL. I think the Indian debt was discussed with the Senate, as I understand it.

Senator BYRD. It did not come to the Senate. As a matter of fact, the Senate passed an amendment, which I introduced, to prevent the settlement of that debt without the approval of the Congress.

The House did not take it. The Conference Committee did not take the Senate's position, but that is what the Senate did.

But it did not come to Congress for approval, although it might have come to one or two Members of the Congress, to get their views on it.

Mr. INGERSOLL. You asked whether I thought these settlements were just. I would say no, they were not just, in my opinion.

Senator BYRD. Good. I am glad to get that view.

Mr. INGERSOLL. But I was again saying you have to look at it from a practical standpoint: is this the best deal you can make? And it has been the judgment of the negotiators in all of these cases that these are the best deals you can make.

Senator BYRD. I do not see how you can say that when, in this particular case, you are holding roughly \$100 million worth of gold, that they cannot get hold of unless you release it.

Mr. INGERSOLL. You may hold it indefinitely.

Senator BYRD. You may hold it indefinitely, but you have not lost anything.

Mr. INGERSOLL. The creditors have lost. They are not getting anything.

Senator BYRD. The value of the gold is going up all the time. I think it is very important, Mr. Chairman, that you have raised the point, and I want to point out again that the committee know precisely where this gold is and when it was put in each of the places it might be.

Here is a colloquy that occurred on September the 11th—that was over 2 weeks ago—which shows the committee is greatly interested in the location of this gold. The chairman says, "Where is it?"

"Mr. ARMITAGE. 'I do not know where it is.'"

"Senator BYRD. 'Somebody ought to know.'"

And then he goes on to say, "Well, it might be in Europe. Some of it, much of it, is in the Bank of London."

Now, I was told by a Czechoslovakian the other day that the gold was in the United States.

Mr. INGERSOLL. Part of it is; yes, sir.

Senator BYRD. I think they seem to know more about it than the State Department does.

Anyway, I think so far as one member of this committee is concerned, it has been over 2 weeks now that we have asked these questions, where the gold is. We do not know any more today than we knew then. I think we ought to have a definitive statement as to where the gold is and what amount in each place.

The CHAIRMAN. We would be well to send a sergeant at arms over to guard that gold, lest they steal that as they stole everything else from the American citizens.

Mr. INGERSOLL. I promise to supply that information, Senator Byrd.

Senator BENNETT. Mr. Chairman, I would like to get in a minute. I have the kind of mind that is very much interested in this discrepancy in arithmetic.

Mr. Merrigan, the error is yours because if you will turn to page 13 in your statement, No. 3, if the \$20,500,000 installment payment is applied against the \$72,600,000 principal, the award is 28 cents on the dollar; and No. 4, taking that, this ignores the \$8,500,000 they already paid us.

So it says in effect that they did not get that, and you are just going to apply the \$20,500,000 to the \$72,600,000, and you come to 28 cents.

Then turn to No. 4. If the \$20,500,000 is applied against \$64 million, which is \$72 million minus the \$8 million, so you admit you ignored the \$8 million in the first place, you only get 32 cents, but then you failed to point out that they get 100 cents on the \$8.5 million and 32 cents on the remainder, and the State Department is right. If you apply the \$8,500,000 and add it to the \$20 million, they get 42 cents.

Now, I am not arguing whether that is enough or not.

The CHAIRMAN. Let the witness respond to that now.

Mr. MERRIGAN. Senator Bennett, first of all, what we tried to do here is look at this four different ways to try to find out whether it is 42 cents, as the State Department says it is; the \$8.5 million was applied by our Treasury Department against \$113 million. It was not

applied against \$72 million, it was applied against \$113 million, and it reduced the interest, or it reduced the total awards from \$113 million to \$105 million.

So really, the computation should not be made on the basis of \$72 million or \$64 million at all, or the \$72 million, we therefore went back to the \$72 million since the \$8 million should never have been credited against it at all, and applied the \$20 million settlement today against the \$72 million, and you come up with the 28 cents.

Senator BENNETT. Then the question is——

Mr. MERRIGAN. Now, if you credit them, sir, with the \$8,500,000, I do not know how you juggle this to get it 100 percent, but if you take the \$8.5 million out of the \$72.6 million, so that they will now owe us \$64 million, and apply that \$20,500,000 against that debt of \$64 million, I still say you get 32 cents.

Now, maybe I am wrong.

Mr. BENNETT. Well, if you are doing that, if you are taking a fourth computation and say that in effect you are applying the \$8½ million to the \$72 million, then you have to admit that they got 100 percent on the \$8½ million and 32 percent on the remainder, which adds to 41.

The CHAIRMAN. Now, hold on just 1 second. I want to get in here also. That first \$8 million was one simple thing that we did that happened to be smart. I had something to do with that. We just seized that steel mill and we sold it. We did the same thing to them that they did to us, and we paid off \$8 million worth, and there was not any negotiation about that.

Now we are talking about where we got on the negotiations. You cannot say we negotiated about what we took to pay off some of what they stole. We just did to them what they did to us for the first \$8 million.

Mr. MERRIGAN. Senator Bennett.

The CHAIRMAN. There was not any negotiation about that.

Senator BENNETT. I did not say there was. I simply say there is a question of arithmetic, and it is a question, did the \$8 million reduce their claim or was it just lost in the air against interest, and you say it was lost in the air against interest, and the State Department says it reduced their claim.

Mr. MERRIGAN. Well, Senator, no matter how you look at it, if I owe you \$72,000, and I pay you \$8,500, I still owe you \$64,000, and if I offer then to pay you \$20,000, I think you still are going to agree that I am paying you 30 cents on the dollar.

Senator BENNETT. Wait a minute. You are paying 30 cents on the dollar on the \$20 million, but you paid me 100 cents on the dollar on the \$8½ million. You cannot get away from that.

Mr. MERRIGAN. I do not want to get away from that, but I will tell you what they really owe is \$113 million, against which they paid \$8½ million, and they now want to pay \$20.5 million to settle the whole thing, and no matter how you juggle the figures, that is not 42 cents on the dollar.

Senator BENNETT. It is 42 cents on the dollar of their original claim. And you said in your statement, and I let it go by, but I was interested, well, they got \$8½ million, but that was so little it did not mean anything, and I think you have ignored the \$8½ million and calculated their interest. It is a little point.

Mr. MERRIGAN. I did not mean to.

Senator BENNETT. OK.

The CHAIRMAN. Senator, let me show you a little bit of arithmetic. You start out with the \$72 million. Now, the Foreign Claims Commission allowed interest on those claims up until the point that they adjudicated their award, which is a standard way of a Claims Commission doing business. The State Department would not deny that. That is how they do it on all of them; they allow interest up to the point that they adjudicate the claim. So the claim, with the interest, at that point is what the adjudicated claim is that the foreign government owes.

All right. That comes up to \$113 million. Now, at that point we seized that steel mill and we paid off \$8 million worth of those claims of \$113 million. That then leaves you \$105 million that is owed, based on the liquidated claim figured by the Foreign Claims Settlement Commission. Now, I really cannot see that there is any negotiation involved on the first \$8 million, you just took from them to pay off something they stole from you.

Now, subsequently you start negotiating on that \$105 million.

Senator BENNETT. I do not care how you negotiate it. I am just interested in the arithmetic, not the question of how it was negotiated.

The CHAIRMAN. Well, can we not all agree the claim has not been paid?

Senator BENNETT. That is right.

Mr. INGERSOLL. I wish, Mr. Chairman, I wish we had some more steel mills we could take ahold of and sell.

The CHAIRMAN. All I am saying is that you can make the judgment however you want to make it, but it seems clear to me that if we just want to bargain tough we can have those claims paid. If we do not want to bargain tough, why, we can just give it all away as I have seen done before. But some of us here have protested against these situations like we have here where we are in a position to hold on forever to an amount of gold that exceeds the amount of the claim, and also, their plan to get loans out of the Export-Import Bank—which in the last analysis will never be repaid, the only way they will repay one of those loans is if they can borrow more. If they can borrow another \$100 million, they will pay off \$50 million. If they can borrow another \$200 million, they will pay off \$100 million that they owe. And so they just keep rolling forward the amount that they owe you, but you always find yourself a little bit further behind in the next deal than you were on the last one. That is how those governments pay their debts.

Before they can get into our pockets in the Export-Import Bank, and before they can get to us with this most-favored-nation deal and before they can get their gold back, we will just say, before all this happens you have to go pay those claims. I would be willing to take the chance if that was my claim, that if we just hang in here, that claim will be paid.

Senator Gravel?

Senator GRAVEL. Thank you, Mr. Chairman.

I think that the senior members have really asked most of the detailed questions.

I would like to go back to a point that Senator Byrd raised and I think is the underlying thing that I am very disturbed by. It is not only evidenced by the last paragraph of your statement, Mr. Secretary,

but if you go to Secretary Kissinger's statement, I think that we can see the kernel of it all there. And I am very concerned, and I can assure you, if I am still here in January, and still a member of this committee, that I would say that this is a threat that our Nation can suffer from, and I fully intend to make my voice heard in this area.

What Secretary Kissinger is saying in this statement is that this is a good agreement because otherwise you would not have been quoting him. He was asked the question, he said yeah, it is as good an agreement as we got, and if we did something here in the Congress, it would be counterproductive.

Now, we have just been through a period of American history where we have tried to win friends by giving away military might. We did not pick up friends and we really have not brought any great deal of peace to the world by this approach. And now it seems we are going to embark upon a new era—in order to get economic friends we are going to give away economic substance. I, as one member of this committee, would like to say I have great love and affection for the people of Czechoslovakia. I want to see that country in tremendous trade and personal and cultural relationship with this country. I am a foremost advocate of détente. I think it is the greatest thing to come along.

But I will tell you, détente built upon sand is not going to have the proper foundation, and the inertia behind this approach is that we can buy friendship in the economic area. Well, you cannot buy friendship in the economic area any more than you can in the military area or in the war-peace area, and what we are doing is trying to buy the friendship of Czechoslovakia through this type of an agreement at the expense of Americans. And I think it is wrong. I think it is wrong in principle. The Secretary's posture has got to be from top to bottom, because we have heard from the lower officials in State, and now we have heard from the intermediate official, and you are quoting from the highest official in State. And what you are telling us is that we have got détente with the Soviet Union, which I think is great. But purchased, I think, in a risky form, as printed out by the Senator from Virginia's statement. You said you do not think they are good agreements, but the force behind those agreements is that we want to be friends with them. We think it is cheaper to have peace that way.

Mr. INGERSOLL. I did not say they were not good agreements. I said they were not just.

Senator GRAVEL. Pardon me if I get confused with the words "good" and "just."

Mr. INGERSOLL. I think there is a practical aspect with any settlement, what can you get. I am sure that any of you that have practiced law may have made settlements during your time as a lawyer, and you try to make the best settlement you can get. They may not be just but you make a practical settlement.

Senator GRAVEL. This amendment, Mr. Secretary, would not have been adopted by the committee, we would not be having this hearing, we would not be going through this exercise if we thought for a moment that you had a good settlement.

Obviously it is generally agreed this is a bad settlement. So it is your poor timing within State that brought us a bad agreement. So it is shame on your house, not on our house.

Mr. INGERSOLL. Well, I understand that these claims have been negotiated for some time, a long time.

Senator GRAVEL. Well, I cannot buy that. You have made that point before, and I cannot buy that. Justice delayed is no justice at all, and so we look at the comparison. You say that in 1948 we settled with Yugoslavia, and we got 91 cents on the dollar. That is justice. So the fact that they stalled us off—now, I am not an attorney, but I know one thing—if you were suing me for something and I stall you off for long enough, you may settle cheaply.

So now they have had no reason, Czechoslovakia has had no reason to want to have a rapprochement until it was permissible within the Soviet context. Now that the Soviet Union is prepared to have rapprochement, they are now permitted to have rapprochement. And so they come in with everybody else.

Does that mean that we should abide by the ignorance that we exercised with the Hungarian agreement, with the Romanian agreement, with the Polish agreement? Some days we are smart and some days we are not so smart. But this is a day I hope we are smart, and it is certainly meant as no discrimination against the people of Czechoslovakia. It is just meant that there were days when we did not have our best negotiators out, and right today I would hope that we could send out a team of negotiators that would be armed with my amendment and it would say hey, the Congress is not going to buy this approach.

Now, I happen to think that the climate is such that you could strike a better agreement for the American citizens in question, and that is what is at stake.

Did you seize the timing in question? I think my colleagues would agree, State did not seize the timing in question, and looked at a historical comparison and they chose to take the bottom part of the comparison rather than the top. The top would have been the Yugoslavian agreement, which was 91 percent. That is the goal they should have shot for in your negotiations and they did not. They took the bottom. The bottom was 40 percent, and I think we were arguing over the semantics, that this did not even reach the bottom.

So with the factors involved, this could have been the worst agreement negotiated when the dynamics of negotiations were the best for us.

I do not wish to prolong or harangue, I am merely concerned, as is, I think, the Senator from Arkansas who has certainly been a leader in this country. We are going to miss his presence here, but certainly his leadership in fighting for a proper posture for this country, I hope, will be carried through in the economic areas.

Senator FULBRIGHT. Mr. Chairman, may I say just a word?

Obviously, all of the settlements have not been business deals. They have all been primarily political, an aspect of our foreign policy. In substance this is one of the small remnants left of World War II.

Much has been said about Yugoslavia. Obviously, that was dominated by political settlements. We were then seeking to help Yugoslavia maintain its independence of Russia. We not only settled it, as you say, at 91 percent, but part of that was the assurance which they actually received of some \$2½ billion in grants. We gave them that money.

You look around the world. There are an infinite number of examples. The First World War debts—we passed a moratorium and we forgave them. On the books now in the Treasury they would stand at some \$35 or \$40 billion, and we just decided for political reasons to forgive them, for reasons that had nothing to do with, well, you can call it economic reasons.

This is not business between banks or business people. This settlement is a political settlement, and what the Secretary of State had reference to was not saying this was a good business deal. We are not making money out of it. We are simply trying to salvage a little bit out of the debris of World War II.

We have given far more than this to Korea, I expect in the neighborhood of \$5 or \$6 billion, for what? I do not know what we are going to get out of it. But we think we have got something. We have given more than that to Taiwan. We have already mentioned India. And you take Israel—we are giving Israel an incalculable amount, not because it is a good business deal, or we expect to get the money back but for political objectives. And this is really the main thrust, these actions are political.

The Secretary of State, nor the Under Secretary, think this is a good business deal. It is the best business deal they can get under the circumstances.

Mr. INGERSOLL. Right.

Senator FULBRIGHT. And I think it probably is. I did not negotiate it either. It might be that you could squeeze a few dollars more out of it, but the principal reason for doing this, as I say, is political—to try to settle this long period of postwar problems.

We have done far more than this for a number of countries, and we keep talking about Export-Import Bank. The purpose of the Export-Import Bank is not to give these people some grant. It is to encourage business opportunities for U.S. businesses. If it is not justified by that, it should not be done at all. We are not out there to give away resources through the Export-Import Bank. We are giving our resources through Public Law 480. We give other countries food and so on, originally not to benefit the foreigners, but to help our agriculture on a continuing basis.

And I personally have not voted for foreign aid for about 7 or 8 years because I decided not only it was not good business, but it was bad politics. All of you are going to be called on to vote for a continuing resolution on foreign aid, and I would not be surprised if a lot of you vote for it. I do not think I will. It is not good business. It is, I think, a misguided policy that the majority of the Congress has supported now for many years on the assumption that we could buy peace or whatever you want to call it, friends, and I do not think it has worked. I think it has all been counterproductive for some 7 or 8 years. But the majority of Congress has supported it.

But I do not quite see the rationale for isolating this one instance in which there happens to be this glittering gold that has attracted everybody's attention. If we owned it, as we did or had possession of it as we did the steel mill, I would agree with everything the chairman has said. The only trouble about the chairman's position is unless we wish to take the position to ignore laws, ignore a solemn agreement with three other countries that are considered allies, we just do not own the

yellow gold. If we did, I would have long since said we should have taken it and applied it like we did the steel mills.

But you would put yourself in the position of just ignoring the law which is a solemn agreement in this instance. We have done it in the past. We always pretend we do not; at least, we try to pretend that we are a law-abiding country, and our reasons are always political in essence. I could—nobody could say this is a good business deal, but it is, I think, a good political deal because it is a little scrap of World War II that ought to be cleaned up.

And if these MFN and export-import are not to our advantage, then they ought not to be granted. We have determined in the past that they are mutually advantageous. MFN, we have with about 100 countries, but we are making this distinction because of their ideology; that is, because they are Communists.

Now, this administration and the previous administration advised the country that they thought it was time to liquidate the cold war, and part of that includes this kind of settlement and the proposal for the trade bill with Russia. If the Congress does not want to go down that line, if we prefer to continue the cold war and the arms race, we have that choice. The Secretary does not deny the Congress can do any damned thing it wants to. He is simply saying that in this instance, especially on political grounds, it is a good thing for us.

Now, if we do not want to settle, we do not have to, and I do not think the Czechs are under any illusions that the Congress cannot defeat it, because they have already done it once. This is the second time around. If I was a Czech, I would think, well, it is hopeless. We will just sit on this, and I suppose they will, too. And I suppose that is what they have proposed.

But I do not think it would be mutually advantageous to either of us to follow this course. That is the sum and substance of it. It is fundamentally political.

The CHAIRMAN. I would just like to state my views on this matter. This Congress—and this is true for any Congress in which I have ever served—has not been one fraction so profligate with the rights of its own citizens of this Nation as it has with taxpayers' funds. Nobody can exceed the profligacy of this Nation in giving away for the slightest pretense taxpayers' money in aid programs and grant programs, and I voted for some of that, so I am not around to point the finger of scorn. I think we can all take our share of the credit, depending upon how you vote.

Harry Byrd did not vote for any of it, so if you think it was a bad idea, I suppose Senator Byrd is the only one entitled to wear a halo on that subject. But all the rest of us, I think, voted for some of it and against some of it. But we have never been that profligate with the rights of our own citizens.

I once sponsored an amendment to say that we just were not going to give any aid, and then I added on to the Sugar Act, to say we are not going to give a sugar quota to any country who confiscates the property of other citizens, which in my point of view is just stealing the property of our citizens. And Congress has taken that position, and it stood up fairly firmly on it.

From time to time, we have permitted some administrations to press us or to muster enough influence to make us cave in on some of that, but Congress has stood pretty firmly on the rights of its citizens against those who stole or confiscated their property.

Now, I can recall the days when I was fighting against that German bond settlement. It is a little confusing in my mind now because it has been a long time ago, when Walter George managed that one. I cannot recall whether he was managing it for the Finance Committee or for the Foreign Relations Committee. I think it was for the Foreign Relations Committee. I thought that was a poor deal for us because we were using taxpayers' funds to make good the obligations of the old Weimar government, as I recall, for the benefit of people who held old bonds. Walter George took the view that if these bonds were not going to be made good any other way, the American holders of them should not be victimized because this Government had something to do with the settlement, so all the people should participate in sharing the burden of making good American citizens who were victimized by default on those bonds in the settlement, in the final settlement with Germany.

We have the opportunity, it seems to me, to demonstrate in this case that this is a poor agreement. We are getting only a fraction of what we are giving the other fellow. We do not think we ought to make those kind of deals.

Now, we have a chance to demonstrate that not only do we think this is a bad deal, we think if we just act like we should have acted to begin with, just act tough about this matter, that these claims will be paid off, and I would be willing to take that chance and find out; and if that were my claim, and you were calling on me, I would say, no, no, absolutely no. And if I were someone's lawyer advising him, I would say do not take it. Take your chances on just saying no dice, and if the Congress will stand firm on this, that Czechoslovakia does not get the gold, they do not get most-favored-nation treatment, they do not get the money out of Export-Import Bank, and even told American contractors who expected to make a lot of profit trading to Czechoslovakia, these multinational companies, and expected to get paid not by Czechoslovakia but get paid out of the Export-Import Bank where Czechoslovakia accumulates credits against this Government, which continue to grow up until the day that the Communists get their nose out of joint again, at which point all of the money is lost all over again that they owe us, just like it was in the World War I settlement, and the World War II settlement—if we just hang in there tough, my guess is these claims will be paid.

Instead of giving up all of the leverage we have and penalizing these American citizens whose property has been confiscated against the position that the Government has heretofore taken, we are going to see them through. We are not going to release this gold. We are going to protect our citizens.

It is my guess, and I may prove to be in the minority on this, that if we act like tough Yankee traders of old, we will get these claims paid off 100 cents on the dollar.

Senator GRAVEL. Mr. Chairman, if I could just add two points to the statement of the Senator from Arkansas. One, I do not think it is a good political agreement for a very simple reason; namely, that we cannot buy political friendship, just as we could not buy other types of friendship. I think we are still suffering from the rich nation syndrome, and that is that we are a wealthy nation. You know, this month it was announced what the balance of payments are, and it is going to reaccelerate, and we are going to be in serious trouble. If we are in trouble, the world is in trouble.

I do not think—and he admits, Senator, it is a poor business arrangement. Let me just say that it is wrong for the Government to make—there are 2,630 claimants—to make them carry the burden of our foreign policy. If you did like this, and we wanted to go ahead and do that, and let the Government pay the tab for it, and let these claimants be adjudicated properly.

Senator BYRD. Mr. Chairman, if I could just make a statement, Mr. Secretary, another aspect of this agreement, I think, that causes concern, the State Department probably will be changing its position in regard to Cuba. It has not yet, I know that, but I think it is heading in that direction, removing restrictions and normalizing relations. As a matter of fact, I spoke in the Senate Monday saying that I am not sure that our present policy is accomplishing a great deal, and perhaps it would be well to give consideration under certain conditions to normalizing relations. But I said I think also the State Department should, as a quid pro quo, demand that the Castro government compensate Americans for the property that was confiscated from Americans, and those claims have been adjudicated by the Foreign Claims Settlement Commission, at \$1.7 billion.

If the Czechoslovaks debt is settled at your proposed rate of 26 cents on the dollar, does that set a precedent for what the State Department will be preparing to do in regard to the claims against Castro?

Mr. INGERSOLL. No; we have no precedent for that, no, in making such a settlement.

I think each negotiation has to stand on its own.

Senator BYRD. You would feel, would you, that if we do recognize Castro and do normalize relations, that he should make full settlement to the Americans whose property has been confiscated?

Mr. INGERSOLL. That would be my opinion, Senator, but I am not sure that you would get it. I am not sure that you would get interest on it. But you might if you had leverage that would enable you to get it, and I would certainly hold out for it.

Senator BYRD. You would hold out for it?

Mr. INGERSOLL. I would if we had the leverage.

Senator BYRD. Thank you, sir.

Mr. INGERSOLL. And if it was in our interest to do so, yes.

Senator BYRD. Thank you, sir.

Thank you, Mr. Chairman.

The CHAIRMAN. I think that we have had a good hearing. If I seemed to get a little irate at some point in this hearing, I offer you my profound apologies. It is not a question of who is right about these matters, Mr. Secretary. It is a matter of what is right.

We want to resolve our differences, and I am sure you are doing the best you can as the Good Lord gives you the light to see it, and that is about what we are trying to do.

Mr. INGERSOLL. Mr. Chairman, I feel about the same way you do. If we had the leverage of a few more steel mills, I would sure go for it, or something else that we could attach.

The CHAIRMAN. Well, if you work with me for a little while, we will find a way to get ahold of all that gold. [General laughter.]

The CHAIRMAN. Thank you very much, gentlemen.

Mr. INGERSOLL. Thank you.

Mr. MERRIGAN. Thank you.

[Whereupon, at 4:50 p.m., the committee recessed, subject to the call of the Chair.]

