AUSTRIA

MEASURES TAKEN TO SUSPEND FINANCIAL CLAIMS AGAINST AUSTRIA BY THE UNITED STATES AND OTHER CREDITOR NATIONS

863.51/236 a

The Secretary of State to the Chargé in Austria (Frazier)

No. 441

WASHINGTON, February 10, 1922.

Sir: The receipt is acknowledged of your despatch number 442, dated December 19 [23], 1921,[1] and your telegram number 3, dated January 9, 1922,[1] which have been read with interest.

In further reference to the status of the proposed plan for Austrian relief which seems to be so generally misunderstood and as it would appear that several of the interested Powers are endeavoring to place the blame for the failure of this plan on the United States, the Department considers it advisable to give you the latest information at its disposal in regard to the attitude of all the interested European Powers concerning the proposed plan of the League of Nations for the economic rehabilitation of Austria.

At the Supreme Council, London, March 17, 1921, the British Minister announced that England would be willing to postpone all her claims against Austria for a period of twenty years.

At this session of the Supreme Council, France also agreed to defer its claims against Austria under the same conditions as Great Britain.

The Italian representative at this session, while approving the general plan for Austrian relief, made several reservations, and further stated on behalf of the Italian Government that a definite decision could not be taken at that time. After various discussions in subsequent sessions of the Ambassadors Council, the Italian Government finally announced that it would in no case assent to the plan unless all the interested Powers including the United States assented. At the meeting of the Ambassadors Council of August 17, the Italian Ambassador announced that this condition would be waived and that Italy would give her assent to the plan provided the other Allied Powers allotted Italy a block of "C" series German reparation bonds, in compensation for her general reparation claims.


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against Austria, and further, that the other Allied Powers give their assent to the Italian proposal to set off the costs of the Italian Army of Occupation in Austria against the payments which Italy was bound to make on account of reparations for Austrian public property in the Austrian territory ceded to Italy.

This proposal of the Italian Government on the acceptance of which depended Italy's assent to the plan for Austrian relief was referred by the Ambassadors Council to the Conference of Allied Finance Ministers, together with various other inter-allied financial arrangements concerning Belgian priorities, et cetera. The Council of Inter-allied Finance Ministers agreed to the arrangements submitted, with the exception of M. Doumer, the French Finance Minister, and the Japanese representative, both of whom accepted, under the reservation of approval of their Governments.

It is understood that the assent of the Japanese Government has been received but the assent of the French Government has never been given. The situation is, therefore, curiously involved.

Both Italy and France state that they have given their assent to the plan for Austrian relief, whereas, actually the Italian assent cannot be effective until the complicated proposals of the Italian Government are accepted by France, and, up to the present time, there is no indication that France will accept these proposals. Even, therefore, if all the other Powers had assented, no progress could be made until the Franco-Italian difficulty is straightened out.

It would appear, therefore, that the repeated statements of both the Italian and French Foreign Offices, that their Governments had given their unconditional assent to the plan, are not of much practical value.

Switzerland's claims against Austria are only for relief credits advanced since the Armistice, aggregating about twenty million Swiss francs, and the Swiss Government has received parliamentary authorization to defer these claims against Austria for twenty years.

It is understood that the Dutch Government has received authority to defer its relief credit advances for twenty years.

Norway and Sweden have announced that they take a favorable view of the proposed plan, and will endeavor to secure parliamentary authorization to postpone their claims for twenty years; but their assent is subject to parliamentary approval which has not yet been given.

No advices have been received in regard to the attitude of the Danish Government, but it is unofficially understood that the Danish Government approves of the plan although no definite action has been taken.

Czechoslovakia has announced her unconditional assent to the proposed plan, but the possible Czech claims are very small.
The attitude of the Yugoslav Government is very doubtful, and it is understood that the possible assent of Yugoslavia depends on the granting of several concessions by the Principal Allied Powers in regard to both the liberation bonds and the payment for properties of the former Austrian and Hungarian Government in its territory. From the information at the disposition of the Department, it would appear that the Yugoslav Government wishes to postpone all payments to the Allied Powers on these two accounts for the same period that its claims against Austria are deferred. Under these circumstances, it would seem that the assent of the Yugoslav Government to the proposed plan is extremely doubtful.

The Roumanian Government has not assented to the plan. No information is available which would tend to show that the Roumanian Government views this plan with favor.

The assent of the Greek Government has not been obtained and there are no indications of its attitude.

You are requested to inform the Department promptly in the case that any of the foregoing information is not in accordance with your understanding of the facts and the Department would be glad to receive any information you may be able to obtain confirming or modifying the foregoing.

You are authorized to make such discreet use of the foregoing information as you may deem expedient in informal conversations with the Austrian Foreign Office and you are requested to keep the Department fully informed of any further developments.

I am [etc.]

For the Secretary of State:

F. M. DEARING

The Austrian Chargé (Prochnik) to the Secretary of State

The Charge d'Affaires of Austria presents his compliments to His Excellency, the Secretary of State, and has the honor to solicit his kind intermediary with a view of having brought to the attention of the Commission to be appointed by the President under Act of Congress ddo. February 9th, 1922, No. 139, the urgent necessity of an action, authorizing the Government of the United States to defer a lien hereafter specified which constitutes a first charge on the General Assets of the Republic of Austria.

To relieve the distress prevailing in Austria in the year 1920, the Government of the United States, by authority of an Act of the

\[\text{\textsuperscript{2}}\] 42 Stat. 363.
66th Congress ddo. March 30th, 1920, extended to said Republic, through the United States Grain Corporation, in way of Relief, a food credit to the amount of $24,000,000.—, maturing with 6% interest on January 21st 1925.

At the time of the grant of this Credit no special securities were asked for by the United States, nor offered by the Republic of Austria. In due course, however, when through a decision of the Reparations Commission, based on Article 197 of the Peace Treaty of St. Germain, claims of various countries against Austria, arising partly from a title of reparation, partly from a title of relief, were secured on the Republic’s General Assets and Revenues, the United States likewise obtained for the aforespecified loan Relief-Credit-Bonds (Series B) establishing a special lien on the General Assets of the said Commonwealth.

In the meantime, conditions in Austria grew worse from month to month, owing chiefly to the fact, that the whole economic structure of the newly formed Republic could not, in a short time and without outside assistance, rearrange itself to the changed conditions created by the terms of the Peace Treaty. Realizing these facts, the Principal Allied Powers, anxious to bring about a reconstruction of the economic position of Austria, and to safeguard the maintenance of her existence as an independent Commonwealth, agreed upon a plan, by which in all probability the new Republic could secure that outside financial aid generally believed indispensable for her preservation.

Under the auspices of the League of Nations a Finance Committee was appointed, which proposed to the various bond-holding powers a deferment of their claims for a period of at least 20 years, in order to enable Austria to use her assets as collateral for a loan to be contracted on a scale sufficiently large to rearrange her whole economic structure, to increase her productive power, and to bring about more normal conditions in her Balance of Trade and Budget. Until then, Austria is compelled to obtain the greater portion of her foodsupplies by purchase on foreign markets, without being able to offset in a halfways normal degree, by an adequate production and export, the great liabilities thus incurred. This abnormal state of her Trade-Balance is in particular responsible for the incessant depreciation of her Currency, which causes ever widening circles of the Austrian population to be drawn to a point where the possibilities of the very existence, even under most modest and scanty circumstances, cease. The Austrian Government is vainly straining its efforts to stem this downward move as long as the means are not forthcoming, which would enable the organisation of a permanent

*41 Stat. 548.
relief in place of merely transitory measures. Vast sums were expended in instalments, merely to tide over critical periods of threatening famine. Although these sums were obtained under the greatest difficulties they had hardly any visible effects on the amelioration of general conditions, but aggravated still more the chaotic state of Austrian currency. The Austrian Government is anxious to lead the nation out of an economic period marked by unproductiveness and excessive consume, and for this reason seeks a loan to be secured on the Country’s considerable assets, the proceeds of which are intended to be used in turning the country’s natural resources to greater account, to stabilize the Currency, and to increase in general the Republic’s productive powers. Only with speedy help from outside could this be effected, and the descending curve depicting the course of Austria’s economics brought to a point where it would gradually but constantly turn into an ascending line.

As Austria is compelled to secure this outside assistance through her own efforts, and to offer in way of security her assets still encumbered by aforementioned liens, its Government prays the Government of the United States to defer the American claim against those assets.

The Charge d’Affaires of Austria conveying herewith his Government’s above request to the kind attention of His Excellency, the Secretary of State, begs to impress the necessity of speedy action, and to voice the expression of grateful appreciation for the sympathy and interest manifested by the People of the United States and its Government in the Fate of his country.

WASHINGTON, February 23, 1922.

The Secretary of State to the Austrian Chargé (Prochnik)

WASHINGTON, April 13, 1922.

Sir: I beg to acknowledge the receipt of your note of February 23, 1922, and to refer to previous conversations between us in regard to the proposals which have been made to this Government with a view to the postponement of the claims of the United States against Austria.

You will doubtless recall that in our various conversations on this subject, I stated that no legal authority existed whereby this Government could take any action with regard to the above mentioned request, but I now take pleasure in informing you that the following Resolution has been passed by Congress and signed by the President which will enable this Government, under certain conditions therein set forth, to meet the request of your Government and the various
other Governments which have addressed similar requests to this Government:

"JOINT RESOLUTION

Authorizing the extension, for a period of not to exceed twenty-five years, of the time for the payment of the principal and interest of the debt incurred by Austria for the purchase of flour from the United States Grain Corporation, and for other purposes.

Whereas the economic structure of Austria is approaching collapse and great numbers of the people of Austria are, in consequence, in imminent danger of starvation and threatened by diseases growing out of extreme privation and starvation; and

Whereas this Government wishes to cooperate in relieving Austria from the immediate burden created by her outstanding debts:

Therefore be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is hereby authorized to extend, for a period not to exceed twenty-five years, the time of payment of the principal and interest of the debt incurred by Austria for the purchase of flour from the United States Grain Corporation, and to release Austrian assets pledged for the payment of such loan, in whole or in part, as may in the judgment of the Secretary of the Treasury be necessary for the accomplishment of the purposes of this resolution: Provided, however, That substantially all the other creditor nations, to wit: Czechoslovakia, Denmark, France, Great Britain, Greece, Holland, Italy, Norway, Rumania, Sweden, Switzerland, and Yugoslavia shall take action with regard to their respective claims against Austria similar to that herein set forth. The Secretary of the Treasury shall be authorized to decide when this proviso has been substantially complied with.

Passed the Senate March 9 (calendar day, March 15), 1922." 4

I would particularly call your attention to the last paragraph of this Resolution, providing for the assent of substantially all the other creditor nations and I am awaiting information whether the creditor nations therein referred to are prepared to take the necessary action, in order that I may inform the Secretary of the Treasury that the terms of the Resolution have been substantially complied with and that this Government may be in a position to take appropriate action.

Accept [etc.]

CHARLES E. HUGHES

863.51/320

The Austrian Chargé (Prochnik) to the Secretary of State

No. 949

WASHINGTON, May 2, 1922.

EXCELLENCY: I have the honor to notify Your Excellency that I have received instructions to convey to the Government and People

of the United States the expression of gratitude, with which the People of the Austrian Republic and their Government acknowledged the passing of a Joint Resolution relating to deferment of certain liens held by the United States against Austria, and the signing of this Act by the President of the United States.

The Austrian Government, having on this occasion previously voiced the gratitude of the Austrian Nation to the Chargé d'Affaires of the United States in Vienna, lays great stress upon having the Government and People of the United States assured of the great appreciation and value placed by whole Austria on this magnanimous action, as the benevolent spirit manifested by the Government and Congress of the United States in connection therewith, will undoubtedly have a very favorable influence on the further development of the country's economics and finances.

In taking pleasure [etc.]

EDGAR PROCHNIK

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462.00 R 29/1777a: Telegram

The Secretary of State to the Ambassador in France (Herrick)

WASHINGTON, June 16, 1922—7 p.m.

187. Press reports state Council of Ambassadors has sent pleas to interested Governments, urging suspension of claims against Austria.

At your discretion, you may make known the willingness of this Government to act in this matter as soon as possible under the Joint Resolution, approved April 6, and that it is waiting only for assurance that other nations are willing to suspend their claims. At the same time, you may express the hope that all creditor nations will display a similar spirit of cooperation with the view to action which will afford definite relief to Austria. Austrian Government has been informed concerning our attitude.

HUGHES

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463.00 R 29/118: Telegram

The Chargé in France (Whitehouse) to the Secretary of State

PARIS, August 7, 1922—4 p.m.
[Received August 11—12:28 a.m.]

311. [From Logan *] B-732.
1. Commission * today approved textual Austrian law July 24 creating Austrian bank [of] issue and released for twenty years

* Reparation Commission.
revenues from customs, salt mines and forests and domains in guarantee this bank. Decision substantially unanimous with exception of Italian approval being subject ratification Italian Parliament and abstention of Servian delegate communicated through common delegate with explicit request abstention not to be considered as negative vote but entirely due absence instructions from Government.

2d. Commission in view extreme urgency of situation has formally brought both all [size] Allied and neutral governments holders Austrian relief bonds series B to effect:

"Commission understands unofficially all governments prepared suspend their claims under relief bonds to the extent necessary realization plan for new Austrian bank [of] issue, therefore Commission assumes action it has taken with a view to best interest Austria and creditors will be approved. Situation one of great urgency. Commission suggests government[s] communicate their regrets [decision?] at earliest possible moment direct to Austrian Government, trusting reply being agreement its decision."

Schuller states Austrian Finance Minister able to meet running expenses to forth providing operation new bank assured by that date. Government plans beginning underwriting Monday August 7 and estimates time needed complete operation four weeks. If delayed Finance Minister obliged to demand appropriation current expenses which will mean recourse to printing. Government accordance announced decision has stopped printing, therefore consequences new issue now for whatever purpose held prejudicial restoration confidence and would seriously jeopardize bank venture.

I suggest Boyd 

I say consult. Request Department advise action taken to permit reply to Commission.

Copy this cable sent American Legation Vienna. Logan.

WHITEHOUSE

463.00 R 29/118: Telegram

The Acting Secretary of State to the Minister in Austria (Washburn)

WASHINGTON, August 23, 1922—5 p.m.

36. Logan’s B–732, August 7, 4 p.m.8

Inform Austrian Government that this Government has noted the action taken by the Reparations Commission on August 7, and is prepared, within limits of Public Resolution number 46, April 6, last,9 to suspend priorities to the extent necessary for realization of new Austrian Bank of Issue.

PHILLIPS

7 Roland W. Boyd, American representative on the Reparation Commission.
8 Transmitted in telegram from the Chargé in France, no. 311, Aug. 7, supra.
9 Text quoted in note of Apr. 13, to the Austrian Chargé, p. 617.
The Minister in Austria (Washburn) to the Secretary of State

Vienna, October 12, 1922.

[Received November 6.]

Sir: Referring to the Department’s telegram No. 36, August 28, 1922, 5 p.m. I have the honor to report that the Federal Minister for Foreign Affairs has asked me to lay before my Government the request of the Austrian Government to release within the terms of Public Resolution No. 46 of April 6th, last, the Austrian assets pledged as therein referred to, in order that, so far as available, they may be utilized as security for the proposed external loan contemplated by the Geneva Agreement of October 4, 1922.

I have [etc.]

ALBERT H. WASHBURN

The Secretary of State to the Minister in Austria (Washburn)

Washington, December 23, 1922—1 p.m.

45. Your despatch, number 64, October 12, 1922.

Inform Austrian Government that this Government is prepared, within the limits of Public Resolution Number 46, April 6 last, to suspend priorities to the extent necessary for the realization of the proposed external loan contemplated by the Geneva agreement of October 4, 1922.

HUGHES

REVIVAL OF THE EXTRADITION CONVENTION OF JULY 3, 1856, BETWEEN THE UNITED STATES AND THE FORMER AUSTRO-HUNGARIAN MONARCHY

211.63/7a: Telegram

The Secretary of State to the Chargé in Austria (Frazier)

Washington, May 4, 1923—6 p.m.

27. The Department desires you to address a note to the Foreign Office as follows:

"The benefits of Article 241 of the Treaty of Saint Germain relating to the revival of bilateral treaties or conventions made with the former Austro-Hungarian Monarchy by nations described in that Treaty as the Allied and Associated Powers are among those secured to the United States by the Treaty with Austria signed on

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10 Great Britain, Cmd. 1765, Austria No. 1 (1922).
167962—38—vol. r—47
August 24, 1921, to establish securely friendly relations between the two nations. According to paragraph (5) of Article II of that Treaty, the period of time, namely, six months within which the United States is privileged to revive any bilateral treaty or convention concluded with the former Austro-Hungarian Monarchy began to run from the date of the coming into force of the Treaty, that is, on November 8, 1921, the date on which ratifications of the Treaty were exchanged.

The Government of the United States desires to revive the Extradition Convention, concluded on July 3, 1856, between the United States and the former Austro-Hungarian Monarchy. By direction of my Government, I have the honor to give in its behalf to the Government of Austria the official notification contemplated by Article 241 of the Treaty of Saint Germain to revive this Extradition Convention. According to the terms of that Article, the revival will take place on this date.

You will please have this note delivered to the Foreign Office on the date which the note bears in order that there may be no doubt as to the date on which the Convention is revived, and you will telegraph the Department the date of the note in which you make notification, which you will observe must be given before May 8, 1922.

HUGHES

211.63/9: Telegram

The Chargé in Austria (Frazier) to the Secretary of State

VIENNA, May 12, 1922—10 a.m.
[Received May 15—2:30 p.m.]

32. Department’s telegram 28 May 10, 6 p.m.

My note was dated May 6th, 1922, and I delivered same at the Foreign Office that afternoon four hours after receipt of Department’s telegram 27, May 4, 6 p.m. I am in receipt of a note from the Minister of Foreign Affairs dated May 6th acknowledging receipt of my note referred to.

FRAZIER

†For text of treaty, see Foreign Relations, 1921, vol. 1, p. 274.
*Not printed.