

## YUGOSLAVIA

### REPRESENTATIONS IN SUPPORT OF THE STANDARD OIL COMPANY OF YUGOSLAVIA IN RESPECT TO YUGOSLAV CUSTOMS DUTIES

660H.113/18

*The Minister in Yugoslavia (Prince) to the Secretary of State*

No. 1419

BELGRADE, August 8, 1932.

SIR: With reference to the Department's telegraphic instruction of May 20, 1932,<sup>1</sup> I have the honor to submit the following review of the tariff case of the Standard Oil Company of Yugoslavia.

In 1925 the Yugoslav General Customs Tariff became effective, in the form of a project. This document, as since modified from time to time, is still effective, though it has never been formally adopted. It unquestionably has the force of law, and should not in any sense be regarded as provisional more than, for example, our own or the French tariff. Its rates and stipulations, with few changes of importance, have survived many governments and even the extraordinary circumstances of this nation's abandonment of the parliamentary form of government in favor of a dictatorship in 1929, and its reversion to the parliamentary regime in 1931. The purpose of the project was to establish a tariff for revenue and for the protection of certain domestic industries. The petroleum refining industry was among those for which a definite protection was provided.

The original provision with respect to this industry is translated as follows:

"171: Naphtha crude, black and unrefined, residue after extraction of benzine and petroleum:	<i>Maximum</i>	<i>Minimum</i>
	<u>Gold</u>	<u>Dinars</u>
1) in tank cars or barges .....	5	4
2) in other containers .....	6	5

Remark: Naphtha crude, black and unrefined, and residue after extraction of benzine and petroleum, when imported by refineries for refining purposes, are duty free under the conditions prescribed by the Minister of Finance, until such time when crude oil will be found in sufficient quantities within the country.["]

<sup>1</sup> Not printed.

At that time the refining industry consisted of the Danitsa refinery, a primitive establishment, at Bosanski Brod, on the Sava.

Ill advised or not, the protection set up by the tariff project was designed to introduce foreign capital into the Kingdom for the further development and modernization of this industry, and this purpose was accomplished very satisfactorily.

The Standard Oil Company purchased the Danitsa refinery in 1927, and by 1931 had converted it into what is said to be one of the most modern refineries in Europe, increasing its yearly capacity from 30,000 to 100,000 tons. The British "Shell" interests entered the field the same year, as the Anglo-Yugoslav Petroleum Company, erecting a refinery at Caprag. Both companies have invested important capital in the organization of storage facilities, transportation, and distribution as well as in the actual refining industry: always on the basis of the privilege granted in the tariff project. This investment was progressive, satisfying a developing market and creating stage by stage a complex modern producing and merchandising agency beyond the ambitions or imagination of those legislators and commissioners who in 1925 decided to foster the refining industry.

Crude naphtha was brought from Rumania for refining. An interesting feature of the business, illustrative of the sometimes wasteful methods of industries artificially created, develops from the fact that Rumania, anxious to protect the perhaps more legitimate Rumanian refineries, forbids the export of naphtha that has not been refined in that country. To overcome this restriction and still obtain the benefit of the Yugoslav tariff provision, the practice was adopted of buying the refined products in Rumania, mixing them at the frontier or on the Danube, and importing the resultant synthetic crude into Yugoslavia—for refining! In justice to the companies it must be said that whenever there was a considerable crude surplus over refining capacity, the Rumanian authorities were inclined to wink at their own restrictions and allow crude to be exported.

On March 23, 1931 the Economic-Financial Committee of the Council of Ministers issued the following opinion over the signature of Srskich, then Chairman of that Committee:

"This Committee is of the opinion that the freedom from duty of crude oil and composite oil should be canceled. Mr. Djakovich has been instructed to draft a project of law in this sense and also to suggest some other possible way of solving this question, the aim being to protect the economic and financial interests of the State from abuse."

For some reason this was forwarded to the Department of Customs only on May 15th, when it became known to the refineries and to the

Legation. The ill-starred Djakovich, mentioned above, was discharged a year later in connection with this same case, along with his colleague Dr. Borisavlyevich, in the chemical section of the Ministry of Finance. Djakovich is said to have been strictly honest, but he had the great misfortune to disagree with his chief, Finance Minister Georgevich, on a matter of ethics.

On May 25th, at the urgent request of Mr. Walker, President of the Standard Oil Company of Yugoslavia, Secretary George, then Chargé d'Affaires ad interim, saw Acting Foreign Minister Kumanudi and deposited with him the Legation's note 2290 of that same date, and a copy of a memorandum jointly prepared by the two interested companies in the nature of a petition against the contemplated action. A copy of this memorandum is herewith enclosed.<sup>2</sup> The Legation's note, which was in French, is translated as follows:

"The Legation of the United States of America has the honor to transmit to the Royal Ministry for Foreign Affairs a copy of a memorandum prepared by the President of the Standard Oil Company of Yugoslavia concerning a resolution which, according to the Legation's information, will be submitted at a meeting of the Council of Ministers tomorrow, May 26, 1931, affecting the importation into Yugoslavia of crude oil, and to express the following view.

The Legation believes that the object of the legislation now in force in this connection was to establish in the country an industry for refining this crude product. Certainly this legislation had the result of introducing into Yugoslavia important American capital and the foundation of the large establishments and the extensive organization of this company. However, should the resolution be adopted, which according to the Legation's information is to be laid before the Council of Ministers tomorrow, this same American capital and the Yugoslav refining industry must seriously suffer and, the latter, perhaps be wiped out.

The Legation would be grateful to the Royal Ministry for bringing these considerations to the attention of the Council of Ministers in the event of the examination of such a resolution.

Belgrade, May 25, 1931."

Asked if he would care to state on what initiative the amendment to the tariff had been proposed, Mr. Kumanudi said "I am not a chemist and am speaking to you confidentially and quite as Mr. Kumanudi to Mr. George. I have heard it said that for years the Company has practiced a fraud at the frontier." Mr. George replied that in his opinion no fraud had been committed and that there had not even been a deception of any kind. The Company had imported for its refinery crude oil purchased from the Rumanian Government and from private sources in Rumania, and from private sources, when

<sup>2</sup> Not printed.

crude was not available, refined products. Such refined products as were purchased from time to time were mixed by the Company outside Yugoslavia and reduced to crude again, for importation here duty free. This was done openly and to the knowledge of the officials in both countries. However, even had a fraud been committed, he asked Mr. Kumanudi if he considered it advisable to stamp out so important an industry as a purely punitive measure, and suggested that it might be better, though it hardly seemed necessary, to legalize the practice explained, or, to appoint a commission of inquiry to confer with company officials with a view to arriving at some workable arrangement satisfactory to Government and companies alike. Mr. Kumanudi seemed very sympathetic and promised to present the Legation's views and the memorandum at the meeting of the Cabinet.

As a result of this conversation the Cabinet meeting held on May 26th postponed discussion of the petroleum question. Meanwhile Foreign Minister Marinkovich and Assistant Foreign Minister Fotich returned from Geneva.

On May 28th Mr. George approached the British Minister as to the advisability of joint action on the part of the two legations. The latter, who was expecting to leave Belgrade the following morning, agreed to this proposal and suggested that Mr. George try to see the Foreign Minister. He authorized him to say that his views were those of the British Minister as well, and that the British Legation was in complete agreement with the American on this question. That afternoon Mr. George saw Assistant Minister Fotich, and on the day following explained the whole matter to the Foreign Minister and Finance Minister Shvrlyuga, endeavoring to secure their support for the companies.

I returned to Belgrade on June 3, and under date of June 9, Mr. Walker wrote to me:

"Following my interviews with Mr. Shvrlyuga and Demetrovich I came to the conclusion that they understood our case and were against drastic action. It is our understanding also that the Minister of Foreign Affairs at the Cabinet meeting at which our question was discussed defended our cause."

The Legation's impression was quite different with regard to Finance Minister Shvrlyuga, and Mr. Walker was so informed. His error was confirmed three days later when he wrote:

"I am now convinced that the sudden unfavorable situation has been created by the Finance Minister himself. It is his reply to our inability to find \$10,000,000 for him at 6%."

On June 10th I called on the Foreign Minister and gained the impression that he was only mildly interested. He suggested that I

see the Finance Minister. This I did not find advisable, but on the following day visited instead both the Prime Minister and the Minister of Commerce. The former was most cordial and listened sympathetically and intelligently to my explanation, appearing to realize the necessity for a careful and expert examination of the question before legislating. He suggested the possibility of compromising in some way. The Minister of Commerce, who received the British Minister and myself simultaneously (on my initiative), was openly and emphatically favorable to our view. Demetrovich proved a staunch friend, and was later forced out of office largely on this issue. I again saw Foreign Minister Marinkovich in this connection on June 18th, just before my departure for Bled.

Secretary George saw Mr. Kumanudi, appointed to succeed Demetrovich as Commerce Minister, on June 26th, to renew our representations. The shifting of portfolios and the frequent prolonged absence from the country of Foreign Minister and Finance Minister, rendered a continuity in the negotiations almost impossible. The threads of the fabric we were trying to weave, were constantly being let fall. The appointment of Uzunovich at this same time, to substitute for Finance Minister Shvrlyuga, proved one of our most serious reverses.

In spite of all our efforts, the following law was signed on June 29th and published in the *Official Gazette*, thereby becoming effective, on June 30, 1931:

"We, Alexander I, by the Grace of God and the Will of the People,  
KING OF YUGOSLAVIA:

On the proposition of our substitute Minister of Finance, Minister without Portfolio, our Minister of Commerce and Industry, and after hearing our President of the Ministerial Council, we prescribe and proclaim the Law for the amendment of the remark following Item 171 of the Import Tariff of the General Customs Tariff Project:

#### Paragraph 1

The remark following Item 171 of the Import Tariff of the General Customs Tariff Project is modified to read:

On naphtha crude, black and unrefined, and residue of naphtha when extracting benzine or petroleum, when the refineries import them for manufacture, 3 dinars in gold shall be paid per 100 kilograms, under the conditions prescribed by the Minister of Finance, until sufficient quantities of naphtha are found in the country.

## Paragraph 2

This Law becomes effective and valid on the date of its proclamation in the *Official Gazette*.

June 29, 1931,  
in Belgrade.

Alexander["]

The Government promulgated this law without investigating the conditions under which refineries operate here and without giving the companies the hearing so earnestly sought. . . .

Supported by the Legations, the two companies immediately began working for repeal. With this end in view Mr. Walker, of the Standard Oil, and Dr. Marich, of Shell, called upon Commerce Minister Kumanudi on July 8th, and renewed their request for the appointment of a commission of inquiry. This Kumanudi flatly refused, saying it was not the Government's business to prove that the new law was a bad one. He consented to examine any data the companies might care to submit however, and at the close of the interview remarked that the Government did not intend to destroy the industry. When told that the refineries would have to close, he seemed not to believe it.

Nevertheless, following energetic representations on my part and on the part of my British Colleague, the Commerce Minister did appoint a commission of experts, on July 31, to

"ascertain the profits realized by these enterprises, examine the situation created by the introduction of the new duty on crude oil, to determine the nature of the crudes hitherto manufactured, i.e. whether the crude oil contains all the components of crude oil and whether the refineries are equipped to refine crude completely, as well as all other facts in connection with this question."

The commission began its work at Brod on August 10th, and on August 29th submitted a report highly favorable to the companies in every particular, a translation of which was forwarded to the Department under cover of despatch 1149 of September 21, 1931.<sup>3</sup>

Unfortunately Finance Minister Djurich, who had come into office meanwhile, took the stand that the result of the commission's deliberations was a matter of indifference to him, and that he would insist upon a customs tax against the companies because the State must have money as things were. And as matters have developed, the excellent report of the commission, all of whose expenses were borne by the companies, has been all but totally disregarded.

On September 11th the refinery at Brod closed. At about this time negotiations with respect to the main issue turned to a search for

<sup>3</sup> Not printed.



some sort of compromise involving an outright loan or the extension of credits by the companies, in which the Legation took no active part. The Legation's attention now concentrated on the minor question affecting the free entry of some eleven thousand tons of crude oil imported under a permit issued prior to June 30th and valid until November 25, 1931. In this connection reference is respectfully made to the Legation's despatches 1149 and 1320, of September 21, 1931, and April 22, 1932,<sup>4</sup> respectively. The last of the barges containing the crude shipped from Rumania under this permit were finally allowed to enter under the 1925 provisions, only toward the end of June this year. Finance Minister Georgevich proved as disappointing in this matter as any of his predecessors, and thoroughly unreliable.

Early in 1932 the companies again manifested a desire to press negotiations for a definite settlement of the main issue. At the beginning of March I had occasion to discuss the situation with the Yugoslav Chief of Staff, who admitted to me that the benzine shortage, owing to the inactivity of the refineries, had become serious for the Army and Navy and that he did not know what to do about it. I suggested that he might place the matter before the Minister of War in such a way as to enable this official to take an energetic stand in the Ministerial Council. . . .

On April 4, 1932 Foreign Minister Marinkovich took office as Prime Minister, and during his brief and hectic administration, interrupted by Geneva and Lausanne, and harassed by a difficult internal situation, it is not surprising that the Standard Oil case did not advance appreciably. On May 9th, after another month of futile negotiation, the Legation cabled to the Department<sup>5</sup> for instructions. On May 31st the Legation was authorized<sup>5</sup> to submit a formal note requesting a definite statement of the views of the Yugoslav Government respecting the position of the Standard Oil Company here. This note, dated June 7, 1932, submitted in French, is translated as follows:

"Mr. Minister: With reference to note number 2454 of March 11, 1932, submitted by this Legation to the Royal Ministry of Foreign Affairs, enclosing a copy of a memorandum prepared by the President of the Standard Oil Company of Yugoslavia, I have the honor to inform your Excellency that I have received formal instructions from my Government directing me to express to the Royal Government its embarrassment to understand the reasons for the long delay

<sup>4</sup> Neither printed.

<sup>5</sup> Telegram not printed.

in settling the question submitted by this Legation to the Royal Government for examination a year ago, and to add that I trust the Royal Government will put an end to this delay by granting prompt attention to this question.

I should be grateful to your Excellency for furnishing me for transmission to my Government a declaration showing precisely the position of the Standard Oil Company in Yugoslavia.

Please accept, Mr. Minister, etc."

During Marinkovich's absence in Lausanne the Government was presided over by Dr. Kramer. It was unfortunate that Marinkovich had to absent himself at this time, instead of allowing Assistant Foreign Minister Fotich to head the Yugoslav delegation at Lausanne as anticipated, and some of the psychological effect of the above note was undoubtedly lost owing to the delayed presentation of the note at the Ministerial Council.

On June 22nd Mr. Walker called at the Legation and reported that he had been reliably informed that Mr. Marinkovich would not return until June 25th. He added that he was informed from the same source that Acting Premier Kramer would welcome a communication from me covering the following points:

- 1) That Mr. Marinkovich was not returning before the 25th.
- 2) That the United States Government had viewed with growing concern the delay in the settlement of the Standard Oil case and the continued loss to the Company.
- 3) That it would be impossible for the Company to execute its contracts with the Government unless the refineries were reopened in the near future.

In response to Mr. Walker's urgent request, and after pointing out to him the obvious dangers involved in such a procedure, I dictated a note in Serbo-Croatian, of which the following is a translation:

"Belgrade, June 22, 1932.

"Mr. Minister: With reference to my note submitted to H. E. Dr. Voyislav Marinkovich in June of this year, I have the honor to request that a decision be arrived at at the earliest possible moment with respect to the case of the Standard Oil Company. In this relation, the following considerations are brought to Your Excellency's attention:

The Legation has been informed by the Ministry of Foreign Affairs that the arrival of H. E. Dr. Marinkovich has been delayed for some time. In the meantime the United States Government insists upon an early decision and the Company continues to suffer heavy losses because of the closing of its refineries. Furthermore there exists the threat of fines being applied to the Company for unfulfilled contracts with the Government in connection with the deliveries of petroleum products, and these obligations can not be settled until such time as the refineries again begin operation.



I therefore have the honor to request Your Excellency once more to consider the case of the Standard Oil Company as of great urgency.

In the hope that Your Excellency will render all necessary assistance in this matter, I avail myself of this opportunity to express to Your Excellency, the assurances of my highest consideration."

That same afternoon, accompanied by Secretaries Bucknell and George, I called at the Presidency and presented this note to Dr. Kramer.

Dr. Kramer glanced hastily through the note and suggested that the matter be allowed to await the return of the Prime Minister and repeated that he had been asked by Mr. Marinkovich to hold the matter pending his return. It was then urged upon Dr. Kramer that in view of the uncertainty as to the date of Mr. Marinkovich's return to Belgrade and the increasing urgency of the case, the Prime Minister be informed by telephone of the receipt of this note and of this conversation. He promised to inform the Prime Minister but appeared uncertain as to the outcome of such action. I then asked him: "The President is not opposed to the action asked by the Legation is he?", to which Dr. Kramer replied, "No, No!" throwing up his hands in a disparaging gesture, and clearly indicating that Mr. Marinkovich was favorable to a satisfactory and speedy solution and appreciated the expense and worry occasioned by the long delays already suffered. Asked whether or not the question would be submitted at the next meeting of the Cabinet for final settlement, Dr. Kramer replied that this must await the decision of Mr. Marinkovich.

The return of the Prime Minister was followed by a cabinet crisis, and on July 3rd a new Government was formed under the presidency of Srškich.

On July 24th a shortage of gasoline began to be noticed at many of the pump stations in Belgrade. On the 25th gasoline was only being sold to taxicabs and in very limited quantities. A nation wide shortage had declared itself.

On July 26th Secretary George introduced Secretary Bucknell to the new Foreign Minister, Mr. Yeftich, and in the course of the conversation which ensued asked if there was anything new with regard to petroleum matters. Mr. Yeftich said that a temporary solution would be reached immediately to satisfy the current demand, and that the whole question would be settled at an early meeting of the new Cabinet. He volunteered his opinion that settlement has been delayed much too long, owing no doubt to obstinacy on the part of both the Government and the companies.

The Legation was subsequently informed by Mr. Walker that on the assurance of the new Minister of Commerce, Mr. Mohorich, that the duty question would be settled within a fortnight, the refinery

at Brod reopened and is now operating at capacity. It is understood that this is a temporary reopening of the refinery, only for the express period of fourteen days.

It is possible that this action on the part of the Company is also a result of a bitter press campaign which followed the acute shortage of gasoline throughout Yugoslavia, of which the following (*Politika*, Belgrade daily, of July 30th) is typical:

"It is unnecessary to emphasize the importance of this question. The experience of war is sufficient, and all countries give the utmost attention to their supplies of gasoline and petroleum: especially such countries as have no production sources of their own. The problem is twofold: 1) to maintain adequate stocks on hand, and 2) to secure an easy supply for the customer. The problem of stocks is solved by keeping large reserves of crude oil and creating domestic refineries, as the maintenance of stocks of gasoline is dangerous. A minimal duty was assessed on crude oil in order to favor the erection of domestic refineries, and thus two refineries were created. They were established by the two companies which control the bulk of the domestic demand by importing from abroad. These are affiliations of the Standard Oil and Shell.

Domestic consumers and the State have already had many opportunities to observe that their interests were not adequately protected, but it did seem at least certain that the matter of reserve stocks was settled, and that traffic and other needs were insured by a regular supply. However, the recent shortage has proved that this is not the case. At a time when the world is overflowing with gasoline, crude oil, and petroleum our country has been reduced to its last barrels! There was the danger that all cars, airplanes, and so forth would stop; that diesel motors and other engines would run short of fuel. All transportation was threatened with paralysis.

We now hear the danger has been averted, but the fact remains that it did *exist*. This is not to be forgotten as facts have shown that the problem of stocks was not solved by protection and the erection of refineries. The country is not safe in this respect, and what this means need not be explained. Everywhere this was being discussed; and the fears of the public were not for the fate of taxicabs and buses, but far more important things. The shortage of stocks is a valuable lesson from which we may draw conclusions. No security may be expected as long as the market is monopolized. This might easily have been foreseen, in view of the tendencies of the world petroleum concerns and trusts, their arbitrariness, etc. . . . To exclude petroleum trusts from the country is impossible; this has succeeded nowhere. But all countries realize that they must place themselves in such a position as to prevent being at the mercy of the trusts. . . ."

Mr. Walker spoke very feelingly of the shortage and explained that it had been due to the fact that the companies' reserves of gasoline had been exhausted, and was emphatically not an effort on the part of the companies to force the Government's hand. The crude now being utilized was taken from bonded warehouses, I am assured by

Standard Oil officials, after payment of duty at the new rate, and the refineries are therefore operating temporarily at a loss.

As the matter now stands, a committee of experts appointed by the new Government to examine a new law project, favorable to the companies, has actually approved and signed, and according to the Legation's information the project will be laid before the Ministerial Council at a meeting to be held tomorrow, August 9th. Mr. Walker has specifically requested the Legation not to intervene further at this time, and in view of the satisfactory progress reported and the great delicacy of the present situation, the Legation has adopted the unusual course of allowing its formal note of June 7, 1932, deposited with the now retired Foreign Minister Marinkovich, to remain unanswered.

Respectfully yours,

JOHN DYNELEY PRINCE

660H.113/22

*The Minister in Yugoslavia (Prince) to the Secretary of State*

No. 1558

BELGRADE, February 7, 1933.

[Received February 23.]

SIR: With reference to my despatch No. 1419 of August 8, 1932, and to previous correspondence concerning the so-called Standard Oil Company case, I have the honor to enclose for the information of the Department my last note to the Foreign Office on the subject, dated February 3, 1933. This communication was addressed to the Minister of Foreign Affairs at the request of the Company, and any developments in the situation will be promptly reported to the Department.<sup>6</sup>

Respectfully yours,

JOHN DYNELEY PRINCE

[Enclosure]

*The American Minister (Prince) to the Yugoslav Minister for Foreign Affairs (Yeftich)*

BELGRADE, February 3, 1933.

EXCELLENCY: I have the honor to invite Your Excellency's urgent attention to my notes of June 7th, and June 22nd, 1932, and to previous prolonged correspondence concerning the case of the Standard Oil Company of New York. In the first note under reference, I requested a declaration for transmission to my Government showing precisely the viewpoint of the Royal Government as regards the posi-

<sup>6</sup> Apparently no reply was received to the Minister's note of February 3, 1933.

tion of the Standard Oil Company in Yugoslavia; in the second note referred to I pointed out the importance which my Government places upon the issuance of an early decision in the matter and again requested that this case be considered as of great urgency.

As Your Excellency is aware, although six months have elapsed since the despatch of the last communication from this Legation, I have as yet not even received a reply thereto and am accordingly forced to request you personally to issue instructions that a reply be addressed to me in the matter, and that a declaration, as requested by me in June, be transmitted to me which will show precisely the viewpoint of the Royal Government as regards the position of this American Company in the Kingdom of Yugoslavia.

In making this request, in the most urgent terms possible, allow me to assure Your Excellency that I have not failed to take into consideration all of the questions involved which make it difficult for Your Excellency to arrive at a decision in the matter. It would appear, however, that a sufficient time has elapsed and that sufficient study has been devoted to the matter now to allow the Royal Government to decide the question definitely and to communicate its decision to me without further delay.

Accept [etc.]

JOHN DYNELEY PRINCE

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**REPRESENTATIONS AS TO CITIZENSHIP AND LIABILITY FOR  
MILITARY SERVICE IN YUGOSLAVIA OF FORMER HUNGARIAN  
SUBJECT NATURALIZED IN THE UNITED STATES <sup>6a</sup>**

360H.117 Belan, John/u

*The Secretary of State to the Minister in Yugoslavia (Prince)*

No. 331

WASHINGTON, January 26, 1932.

SIR: The Department has received your despatch No. 1184 of November 4, 1931,<sup>7</sup> concerning the case of John Belan, a naturalized American citizen of Hungarian origin, on whose account taxes in lieu of military service are being levied against his father, Ivan Beljan, by the Yugoslav Government.

It is observed that the Yugoslav foreign office takes the position that Mr. Belan did not lose Hungarian nationality upon his naturalization as an American citizen since he had not resided abroad for a period of ten years as required by the Hungarian law and that he relinquished Hungarian nationality and became a subject of the King-

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<sup>6a</sup> For previous correspondence regarding the question of liability for military service of naturalized American citizens, see *Foreign Relations*, 1931, vol. II, pp. 1050 ff.

<sup>7</sup> Not printed.

dom of the Serbs, Croats and Slovenes by virtue of Article 61 of the Treaty of Trianon<sup>8</sup> and under Yugoslav law still is a subject of Yugoslavia.

In refutation of the above contention it might be pointed out that while Article 36 of the Hungarian Nationality Law, promulgated December 20, 1879, declares that a Hungarian citizen, who is at the same time a citizen of another country, shall be considered as a Hungarian citizen until such time as he loses Hungarian nationality under the law, Article 47 of the same law in translation provides that: "Any contrary regulations contained in treaties concluded with other States shall constitute exceptions to this law". The purpose of the latter provision obviously was to save from abrogation by that law provisions of treaties dealing with nationality which had already been entered into by the Austro-Hungarian Empire such as the naturalization treaty between the United States and the Austro-Hungarian Government proclaimed August 1, 1871.<sup>9</sup>

At the time of the negotiation of the treaty with the Austro-Hungarian Government this Government was earnestly seeking to gain recognition, by European Governments in particular, of the principle enunciated in the Act of Congress of July 27, 1868, (U.S.C. Title 8, Section 15) that "the right of expatriation is a natural and inherent right of all people". This principle was accepted by the Austro-Hungarian Government in Article 1 of the Treaty mentioned in the following terms:

"Citizens of the Austro-Hungarian Monarchy who have resided in the United States of America uninterruptedly at least five years and during such residence have become naturalized citizens of the United States, shall be held by the Government of Austria and Hungary to be American citizens, and shall be treated as such."

Having accepted by treaty the principle of the right of individuals voluntarily to expatriate themselves the Austro-Hungarian Government did not thereafter, to the Department's knowledge, decline to recognize the naturalization of any of its nationals as citizens of the United States after five years continuous residence in this country as resulting in the loss of Austro-Hungarian nationality. Moreover, the Government of Austria in Article 230 of the Treaty of Saint-Germain-en-Laye<sup>10</sup> and the Government of Hungary in Article 213 of the Treaty of Trianon<sup>11</sup> again affirmed their acceptance of that principle by undertaking to recognize any new nationality which had been or which might be acquired by their nationals under the laws of

<sup>8</sup> *Treaties, Conventions, etc.*, 1910-1923, vol. III, pp. 3539, 3565.

<sup>9</sup> Malloy, *Treaties*, 1776-1909, vol. I, p. 45.

<sup>10</sup> *Treaties, Conventions, etc.*, 1910-1923, vol. III, pp. 3149, 3232.

<sup>11</sup> *Ibid.*, pp. 3539, 3624.

the allied and associated powers, and in accordance with the decisions of the competent authorities of those powers pursuant to the naturalization laws or under treaty stipulations and to regard such persons as having, in consequence of the acquisition of such new nationality, in all respects severed their allegiance to their country of origin. The rights and advantages of the Articles cited above were formally accorded to the United States by the treaties establishing friendly relations with Austria and Hungary concluded August 24, 1921, and August 29, 1921, respectively.<sup>12</sup>

It is desired that you again take up the case of Mr. Belan with the Yugoslav Foreign Office setting forth the view of this Government that for the reasons stated above he ceased to be a Hungarian national upon his naturalization as an American citizen; that he did not, therefore, become a Yugoslav subject; and that military taxes which have been levied against his father on his account should be remitted.

Very truly yours,

For the Secretary of State:  
WILBUR J. CARR

360H.117 Belan, John/13

*The Minister in Yugoslavia (Prince) to the Secretary of State*

No. 1445

BELGRADE, September 6, 1932.

[Received October 5.]

SIR: I have the honor to refer to the Department's Instruction 331 of January 26, 1932, File 360 H.117 Belan, John/8[9], concerning the case of John Belan, a naturalized American citizen of Hungarian origin, on whose account military taxes were being levied against his father by the Yugoslav Government, and enclose a translation of a *note verbale* just received from the Foreign Office which apparently disposes of this case.

Respectfully yours,

JOHN DYNELEY PRINCE

[Enclosure]

*The Yugoslav Ministry for Foreign Affairs to the American Legation*

No. 23846/7140/II

NOTE VERBALE

With reference to the *note verbale* of the Legation of the United States of America No. 2511, dated June 29, 1932, the Royal Ministry

<sup>12</sup> For the treaty with Austria, see *Treaties, Conventions, etc.*, 1910-1923, vol. III, p. 2493; for the treaty with Hungary, see *ibid.*, p. 2693.



for Foreign Affairs has the honor to communicate to it that, according to information received from the Ministry of the Interior, John Belan has been removed from the lists of persons resident in the Commune of Ribnik, and from the respective military registers as well.

BELGRADE, August 25, 1932.