

Text of Communique of London Debt Conference

Following is the text of the communique issued at the conclusion of the London Conference on German External Debts Aug. 8.

The London Conference on German External Debts ended today (Aug. 8) with the adoption at a plenary meeting of a conference report. This report records the terms of settlement for German prewar external debts, which have been agreed between creditors and debtors and which are recommended for the approval of the governments concerned. Speaking for the tripartite commission on German debts, representing the governments of France, the United Kingdom and the United States of America, at whose invitation the conference was called, Sir George Rendel (United Kingdom), M. F. D. Gregh (France) and John W. Gunter (United States) congratulated the delegates on the completion of a successful conference and thanked them for the hard work which the solution of the problems confronting the conference had entailed.

Information on the settlement terms agreed between creditors and debtors is contained in the attached summary statement (not published here). It will be seen that, broadly speaking, these terms adhere as closely as possible to the terms of the original contracts and do not in most cases, entail any reduction of the original principal amounts. Payments on loan contracts containing gold clauses will be made as though the value of the currencies of issue of the loan had been defined in relation not to gold but to the United States dollar. The Young Loan Agreement contains an additional form of exchange guarantee. In the main, future interest rates have been somewhat reduced from those provided in the original contracts. Amortization of the principal of most of the debts will begin after five years and maturity dates have been extended. Provision is made for more rapid repayment of capital and interest in certain types of debt, if this is made in blocked Deutsche marks which can be utilized for investment in Germany.

The report of the conference provides for the preparation of an inter-governmental agreement to give international authority to the settlement plan recommended in the report. Governments interested in the debt settlement will be invited to become parties to the inter-governmental agreement.

At the final plenary meeting today the Tripartite Commission announced that work would proceed immediately on the drafting of the proposed inter-governmental agreement. At the same time bilateral agreements would be prepared providing for the settlement of the claims of the United Kingdom, France and the United States in respect to their postwar economic aid to Germany. These claims were the subject of earlier discussions last December at which three powers offered, subject to the conclusion of a satisfactory and equitable agreement on Germany's prewar debts, to make important concessions in the priorities and amounts of their claims.

The conference which ended today had been preceded by more than two years of preparatory work by the interested governments. In an exchange of letters of March 6, 1951, between the chancellor of the German Federal Republic and the three Allied High Commissioners, acting on behalf of the governments of France, the United Kingdom and the United States of America, the Federal Government confirmed its liability for the prewar external debts of the German Reich and acknowledged in principle the debt

arising from the postwar economic assistance furnished to Germany by the three powers, and its willingness to accord this debt priority over all other foreign claims against Germany.

In May 1951, the three governments set up the Tripartite Commission on German debts. In June and July 1951, the Commission held preliminary discussions with representatives from Germany and from the principal creditor countries. The Tripartite Commission has also been responsible for the organization of the London Conference and has represented the three governments throughout the negotiations. The members of the Tripartite Commission are Sir George Rendel (United Kingdom), M. F. D. Gregh (France) and Ambassador Warren Lee Pierson (USA). In the recent absence of Mr. Pierson, the United States has been represented by Minister John W. Gunter. The German delegation has been led throughout by Hermann J. Abs.

The conference held its first plenary meeting at Lancaster House, London, on Feb. 28, 1952. In carrying out its work, the conference was guided by certain principles, which appear in the report. They include the principle that the Federal Republic's economic position and limited territorial jurisdiction should be taken into account, to avoid dislocation of the German economy, undue drain on Germany's foreign exchange, or appreciable additions to the financial burden of any of the three governments. A further principle was that the settlement should ensure fair and equitable treatment of all interests affected; and that it should provide for appropriate action on the reunification of Germany.

Twenty-two creditor countries sent delegations to the conference composed of governmental, and, in many cases, private creditor representatives. The private creditors of France, the United Kingdom and the United States of America were represented by separate delegations. Three countries sent observers, while the Bank for International Settlements was represented as a creditor in its own right. The delegation from the Federal Republic of Germany contained both governmental and private debtor representatives.

To facilitate its work, the conference set up a steering committee composed of the three members of the Tripartite Commission, 13 representatives of creditor interests from Belgium, Brazil, France, Italy, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States, and five members representing the public and private debtor interests of the Federal Republic. The steering committee was charged with the organization of the conference and with ensuring that all recommendations submitted to plenary meetings were such as to achieve an equitable overall settlement and equal treatment for all creditors within each category of debts.

The Creditors' Committee which was established to coordinate the views of the various groups of creditor interests and to appoint members of the negotiating committees was composed of representatives from each creditor country.

Four negotiating committees were set up with representatives of both creditor and debtor interests as well as observers from the Tripartite Commission. They dealt respectively with: Reich debts and debts of other public authorities; medium and long-term German debts resulting from private capital transactions; standstill debts; and commercial and miscellaneous debts.

Mr. Abs, the head of the German delegation, stated that he associated himself with the recommendations now before the conference, because it was his desire to meet the wishes of the creditors to achieve a debt settlement which would satisfy them. He expressed a hope that the results reached at the conference would prove to be bearable for the Federal Republic, in spite of its limited capacity. He pointed out that it would be necessary to realize that the Federal Republic was going to face a heavy burden not only during the coming years but over a long period. In this connection Mr. Abs declared that the debt settlement would be jeopardized if the Federal Republic were asked to assume still further obligations from the past.

In this respect he referred in particular to claims by foreign countries which were at war with Germany dating from the time of the two world wars, especially further reparation claims. In conclusion, Mr. Abs stated that the measures necessary to obtain parliamentary approval for the debt settlement plan would be expedited to the greatest possible extent.

On behalf of the creditors' Committee, Baron von Lynden (Netherlands) the acting chairman expressed his satisfaction at the completion of the negotiations and thanked the Tripartite Commission, the German delegation and his colleagues on the Creditors' Committee for the spirit of wholehearted cooperation which had helped to achieve this result. A number of other governmental and private creditor representatives, whose names are given below also addressed the meeting: M. E. De Graffenried (Switzerland), Dr. Kurt Harrer (Austria), M. L. Smeers (Belgium), Sir M. Niemeyer (UK).

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Max Woenner, member of the Bavarian DGB District Committee, told a correspondent of the *Sueddeutsche Zeitung* that the stable wage structure in Bavaria might be shaken by this decision, since the individual unions were completely free to terminate current collective agreements. Such terminations might become effective very shortly, such as in the metal industry, Woenner said.

Recent Publications

The Special Projects Program of the Office of the U.S. High Commissioner for Germany, Historical Division, Office of Executive Secretary, HICOG (Mehlem), June 12, 1952. Monograph describing use of funds from US sources for assisting creation and improvement of schools, libraries, hospitals, youth homes and other public-service structures in Germany.

Third Supplement to "Cumulative Index of Legislation", Office of General Counsel, HICOG (Mehlem), June 25, 1952. Contains changes according to pages in original index of July 20, 1951.

Realites Allemandes (Facts of Germany), Nos. 41-42, High Commission of the French Government in Germany, July 29, 1952. Official French report for May and June.