

HUNGARIAN PEOPLE'S REPUBLIC

Settlement of Claims

*Agreement and annexes signed at Washington March 6, 1973;
Entered into force March 6, 1973.*

AGREEMENT BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND
THE GOVERNMENT OF THE HUNGARIAN PEOPLE'S REPUBLIC
REGARDING THE SETTLEMENT OF CLAIMS

The Government of the United States of America and the Government of the Hungarian People's Republic, being desirous of effecting a settlement of all outstanding claims and advancing economic relations between the two Governments, have agreed upon the following articles:

Article 1

(1) The Government of the Hungarian People's Republic agrees to pay, and the Government of the United States agrees to accept, the lump sum of \$18,900,000 (eighteen million nine hundred thousand dollars) in United States currency in full and final settlement and in discharge of all claims of the Government and nationals of the United States against the Government and nationals of the Hungarian People's Republic which are described in this Agreement.

(2) Such payment shall be made by the Government of the Hungarian People's Republic as provided in Article 4 of this Agreement.

Article 2

The claims which are referred to in Article 1, and which are being settled and discharged by this Agreement, are claims of nationals and the Government of the United States for:

- (1) property, rights and interests affected by Hungarian measures of nationalization, compulsory liquidation, expropriation, or other taking on or before the date of this Agreement, excepting real property owned by the Government of the United States;
- (2) obligations expressed in currency of the United States arising out of contractual or other rights acquired by nationals of the United States prior to September 1, 1939, and which became payable prior to September 15, 1947;

- (3) obligations of the Hungarian People's Republic under Articles 26 and 27 of the Treaty of Peace between the United States and Hungary dated February 10, 1947, [1] and
- (4) losses referred to in the note of December 10, 1952 of the Government of the United States to the Government of the Hungarian People's Republic. [2]

Article 3

For the purposes of this Agreement:

- (1) The term "national of the United States" means (a) a natural person who is a citizen of the United States, or who owes permanent allegiance to the United States, and (b) a corporation or other legal entity which is organized under the laws of the United States, any State or Territory thereof, or the District of Columbia, if natural persons who are nationals of the United States own, directly or indirectly, more than 50 per centum of the outstanding capital stock or other beneficial interest in such legal entity. It does not include aliens.
- (2) The term "national of the Hungarian People's Republic" means (a) a natural person possessing Hungarian citizenship, and (b) a juridical person incorporated or constituted under Hungarian law.

Article 4

- (1) Subject to the provisions of paragraph (2) of this Article, the Government of the Hungarian People's Republic

¹ TIAS 1651; 61 Stat. 2065.

² Not printed.

shall pay the lump sum referred to in Article 1, paragraph (1) in twenty equal annual installments of \$945,000 (nine hundred and forty-five thousand dollars) in United States currency to the Secretary of State of the United States of America, each installment to be paid on the tenth day of June, commencing on the tenth day of June 1973.

(2) With respect to paragraph (1) of this Article, if six percent of the dollar proceeds of the imports into the United States from Hungary, based on the f.o.b. value, in the twelve months ending on December 31 preceding the date of payment, shall exceed \$945,000 (nine hundred and forty-five thousand dollars), the Government of the Hungarian People's Republic shall additionally pay the excess amount to the Secretary of State of the United States of America, which shall be credited towards the last payment or payments, as the case may be, in acceleration of the payment of the scheduled annual installments.

(3) The Governments of the United States of America and of the Hungarian People's Republic agree that for the purpose of this Agreement, the f.o.b. value in dollar imports into the United States from Hungary shall be taken from the official publications of the United States Department of Commerce (that is, FT 990, U.S. Foreign Trade, Highlights of Exports and Imports, or its successor publications). The Government of the United States of America undertakes to inform the Government of the Hungarian People's Republic of that value on or before March 31 of each year.

Article 5

The distribution of the lump sum referred to in paragraph (1) of Article 1 of this Agreement falls within the exclusive competence of the Government of the United States in accordance with its legislation, without any responsibility arising therefrom for the Government of the Hungarian People's Republic.

Article 6

(1) The Government of the United States declares that full payment of the lump sum referred to in Article 1 shall discharge the Government of the Hungarian People's Republic and Hungarian nationals from their obligations to the Government of the United States and its nationals in respect of all claims referred to in Article 2 of this Agreement. Upon their discharge, the Government of the United States will consider as finally settled all claims for which compensation is provided under Article 1, whether or not they have been brought to the attention of the Government of the Hungarian People's Republic.

(2) The Government of the Hungarian People's Republic declares that the lump sum referred to in Article 1 has been arrived at by taking into account the following claims of the Hungarian People's Republic against the Government of the United States:

- (i) all liabilities in Hungary of the Government of the United States and its nationals in respect of property, rights and interests to which the settlement under Article 1 relates;
- (ii) all claims of the Government of the Hungarian People's Republic in respect of vested

Hungarian assets in the United States in the amount of US \$3,318,614 (three million three hundred eighteen thousand and six hundred fourteen dollars).

(iii) Hungarian property lost as a result of World War II.

(3) After the entry into force of this Agreement, neither Government will present to the other on its behalf or on behalf of any person included in the definition of United States or Hungarian nationals any claims which have been referred to in this Agreement and neither Government will support such claims. In the event that such claims are presented directly by nationals of one country to the Government of the other, such Government will refer them to the Government of the national concerned.

Article 7

The documents evidencing the discharge of obligations described in Article 6 paragraph (1), including any available documents of title, will be transmitted through diplomatic channels to the Government of the Hungarian People's Republic in due course. Should the Government of the Hungarian People's Republic require information regarding certain settled claims after the entry into force of this Agreement, the Government of the United States will supply the requested information in its possession.

Article 8

Within thirty days after the entry into force of this Agreement the Government of the United States will release its blocking controls over all Hungarian accounts in the United States.

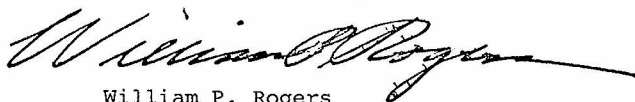
Article 9

The present Agreement and the attached exchanges of letters shall enter into force on the date of signature.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto by their respective Governments, have signed the present Agreement, and affixed thereto their seals.

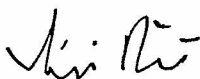
DONE at Washington, in duplicate, in the English and Hungarian languages, both versions being equally authentic, this sixth day of March, 1973.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:



William P. Rogers
Secretary of State

FOR THE GOVERNMENT OF THE HUNGARIAN PEOPLE'S REPUBLIC:



Péter Vályi
Deputy Prime Minister

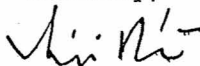
ANNEX A

March 6, 1973

Dear Mr. Secretary:

With respect to expropriation claims by nationals of the United States which arose subsequent to August 9, 1955, and which are settled and discharged by virtue of Article 2 (1) of the claims settlement agreement between our two countries concluded today, the Government of the Hungarian People's Republic wishes to convey its understanding to the Government of the United States of America that this settlement in no way constitutes a precedent for the Government of the Hungarian People's Republic for similar claims arising after the date of this Agreement.

Sincerely,



Péter Vályi
Deputy Prime Minister

His Excellency

William P. Rogers,

Secretary of State of the

United States of America,

Washington, D.C.

ANNEX A

March 6, 1973

Dear Mr. Deputy Prime Minister:

In reply to your letter of today's date, the Government of the United States of America wishes to confirm the understanding of the Government of the Hungarian People's Republic that with respect to expropriation claims by nationals of the United States which arose subsequent to August 9, 1955 and which are settled and discharged by virtue of Article 2 (1) of the claims settlement agreement between our two countries concluded today, this settlement in no way constitutes a precedent for the Government of the Hungarian People's Republic for similar claims arising after the date of this Agreement.

Sincerely,

William P. Rogers
Secretary of State

His Excellency

Péter Vályi,

Deputy Prime Minister of the
Hungarian People's Republic.

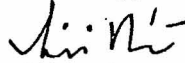
ANNEX B

March 6, 1973

Dear Mr. Secretary:

With reference to Article 2, paragraph 3 of the Agreement regarding claims of today's date I wish to inform you that all the obligations of the Government of the Hungarian People's Republic set out in Article 27 of the Treaty of Peace with Hungary signed in Paris on February 10, 1947 have already been fulfilled.

Sincerely,



Péter Vályi
Deputy Prime Minister

His Excellency

William P. Rogers,

Secretary of State of the

United States of America,

Washington, D.C.

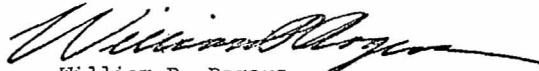
ANNEX B

March 6, 1973

Dear Mr. Deputy Prime Minister:

In response to your letter of today's date concerning Article 2, paragraph 3 of the Agreement regarding claims of today's date, the Government of the United States of America has taken note of the statement of the Government of the Hungarian People's Republic on Article 27 of the Treaty of Peace with Hungary.

Sincerely,



William P. Rogers
Secretary of State

His Excellency

Péter Vályi,

Deputy Prime Minister of the
Hungarian People's Republic.

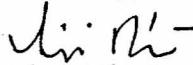
ANNEX C

March 6, 1973

Dear Mr. Secretary:

With reference to Article 6, paragraph (2) (iii) of the Agreement regarding claims of today's date, the Government of the Hungarian People's Republic states that this provision is confined to the settlement of claims by the Hungarian People's Republic against the United States and in no way prejudices claims of the Government of the Hungarian People's Republic based on international law practice against those countries in which such property was used.

Sincerely,

Péter Vályi
Deputy Prime Minister

His Excellency

William P. Rogers,

Secretary of State of the

United States of America,

Washington, D.C.

ANNEX C

March 6, 1973

Dear Mr. Deputy Prime Minister:

The Government of the United States of America has taken note of, and has no objection to, the statement of the Government of the Hungarian People's Republic regarding Article 6, paragraph (2) (iii) in its letter of today's date.

Sincerely,



William P. Rogers
Secretary of State

His Excellency

Péter Vályi,

Deputy Prime Minister of the
Hungarian People's Republic.

ANNEX D

March 6, 1973

Dear Mr. Deputy Prime Minister:

With reference to the Agreement regarding claims signed on this date, the Government of the United States of America wishes to state its understanding that the Government of the United States will not espouse claims of United States nationals which have arisen prior to the date of the Agreement based upon debts owed by enterprises nationalized by the Government of the Hungarian People's Republic. This understanding, however, does not exclude the possibility of such claimants presenting their claims to appropriate authorities in Hungary.

Sincerely,



William P. Rogers
Secretary of State

His Excellency

Péter Vályi,

Deputy Prime Minister of the
Hungarian People's Republic.

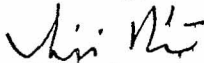
ANNEX D

March 6, 1973

Dear Mr. Secretary:

In reply to your letter of today's date, the Government of the Hungarian People's Republic confirms the understandings stated therein concerning debts owed by nationalized enterprises.

Sincerely,



Péter Vályi
Deputy Prime Minister

His Excellency

William P. Rogers,

Secretary of State of the

United States of America,

Washington, D.C.

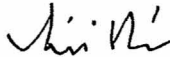
ANNEX E

March 6, 1973

Dear Mr. Secretary:

In connection with the interest expressed by the Government of the United States of America in the settlement of outstanding dollar bonds issued by predecessor Hungarian governments, municipalities and Hungarian financial institutions, the Government of the Hungarian People's Republic confirms its intention to settle the problem of this bonded indebtedness by direct talks with American bondholders or their representatives.

Sincerely,



Péter Vályi
Deputy Prime Minister

His Excellency

William P. Rogers,

Secretary of State of the

United States of America,

Washington, D.C.

TIAS 7569

ANNEX E

March 6, 1973

Dear Mr. Deputy Prime Minister:

In reply to your letter of today's date, the Government of the United States of America notes and accepts the declaration of the Government of the Hungarian People's Republic that it intends to settle the problem of dollar bonded indebtedness by direct talks with American bondholders or their representatives.

Sincerely,



William P. Rogers
Secretary of State

His Excellency

Péter Vályi,

Deputy Prime Minister of the

Hungarian People's Republic.

ANNEX F

March 6, 1973

Dear Mr. Deputy Prime Minister:

With reference to the Agreement regarding claims of today's date, the Government of the United States, taking note of the favorable conditions which exist for the development of trade and economic relations between the United States of America and the Hungarian People's Republic, agrees to seek authority from the Congress of the United States of America to accord most-favored-nation treatment to products originating in the Hungarian People's Republic.

If such authority is received from the Congress of the United States, the extension of most-favored-nation treatment by the Government of the United States of America to products originating in the Hungarian People's Republic and the extension of most-favored-nation treatment by the Government of the Hungarian People's Republic to products originating in the United States of America will be the subject of separate negotiations at which time the two

His Excellency

Péter Vályi,

Deputy Prime Minister of the

Hungarian People's Republic.

governments will settle to their satisfaction outstanding economic and commercial issues, including business facilitation, which affect trade between the two countries and relations between nationals of the two countries.

Sincerely,



William P. Rogers
Secretary of State

ANNEX F.

March 6, 1973

Dear Mr. Secretary:

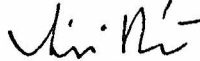
In response to your letter of today's date, the Government of the Hungarian People's Republic agrees that favorable conditions exist for the development of trade and economic relations between the United States of America and the Hungarian People's Republic and states its willingness to enter into negotiations leading toward the mutual extension of most-favored-nation treatment by both countries to products originating in the territory of the other as soon as the Government of the United States of America has received authority from the Congress of the United States of America to accord such treatment. In these negotiations the two governments will settle to their satisfaction outstanding economic and commercial issues, including business facilitation, which affect trade between the two countries and relations between nationals of the two countries.

His Excellency

William P. Rogers,
Secretary of State of the
United States of America,
Washington, D.C.

If it is not possible for the two governments to extend reciprocally most-favored-nation treatment on mutually agreeable terms within a reasonable amount of time, the Government of the Hungarian People's Republic reserves the right to consult with a view toward considering the continuation of payments provided for by Article 4 of the Agreement regarding claims of today's date.

Sincerely,



Péter Vályi
Deputy Prime Minister

Negotiating Record Regarding
the 1951 Aerial Incident

With reference to Article 2, paragraph 4 of the Agreement regarding claims of today's date, the Government of the United States of America will earmark, out of the amount of the lump sum paid, \$125,000 for the settlement of the 1951 aerial incident.

Negotiating Record Regarding
Claims of United States Corporations and Entities

With reference to Article 3 of the Agreement regarding claims of today's date, the Government of the United States will neither present nor support any claim described in this Agreement of a corporation or other legal entity which is organized under the laws of the United States, any State or Territory thereof, or the District of Columbia, even if natural persons who are nationals of the United States own, directly or indirectly 50 or less than 50 per centum of the outstanding capital stock or other beneficial interest in such legal entity.