

BRITISH EMBASSY,

WASHINGTON, D.C.,

June 29th, 1940.

No. 583.

536/15/39

My Lord,

With reference to my despatch No. 1467 of December 28th, 1939, I have the honour to forward herewith copies of the letters exchanged this month between the United States Government and the Governments of the countries (other than the United Kingdom) which are indebted to America on war debt account.

2. Except for the cases of Hungary, Roumania and Finland, the exchange of correspondence has taken the same course as before.
3. The Hungarian Government, while making the same token payment of \$9,828.16 as before, calls attention at greater length to their aide-memoire of February 7th, 1938, proposing negotiations for a new agreement, and emphasises the fact that the Hungarian debt is not a war debt proper but a relief debt.
4. The Roumanian Government calls attention once more to their note of May 3rd, 1939, proposing fresh negotiations for the settlement of their war debt. At the same time the Roumanian Government has made a payment of \$100,000, to be held in a special account and used if and when a new agreement enters into force. The United States Government has accepted this payment and undertaken to deposit

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The Right Honourable

The Viscount Halifax, K. G.,

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it in a special deposit account with the Secretary of the Treasury, while calling attention to the fact that they have no power to modify the existing debt agreements and emphasising that the acceptance of this payment should not be deemed in any way to prejudice the rights of the United States Government.

5. In the case of Finland, a Joint Resolution was introduced in Congress shortly before June 15th, giving Finland the right to spread the payment of the instalments of 1940 over the following ten years, subject to the addition of interest at 3%. Though this resolution was passed by Congress on June 14th it was not signed by the President until late on June 15th. Meanwhile the Finnish Minister had actually paid the instalment due. I believe that the Finnish Government hope for some more favourable action by the United States Government before the next instalment becomes due, and it is uncertain whether they would have taken advantage of the Joint Resolution this month even if it had been signed in time.

6. Except for the case of Finland, the whole subject attracted less attention from the press than ever before, although the usual unflattering remarks were made in Congress and in certain other quarters, particularly by the "Make Europe Pay War Debts" Committee, which includes some members of Congress and, consciously/

consciously or unconsciously, lends itself to the dissemination of propaganda which has a distinct German flavour.

I have the honour to be,

with the highest respect,

My Lord,

Your Lordship's most obedient,

humble servant,

(SGD) LOTHIAN