

Background Paper on Canada-Hungary Claims Agreement  
Signed in Budapest June 1, 1970

Canadian claims against Hungary arose in large part out of post Second World War nationalization measures in that country. The cold war period was not propitious for their settlement and it was only when the Eastern European countries themselves desired to improve relations with the West that the opportunity arose to enter negotiations for the settlement of these claims. In the case of Hungary, this came about in the early 1960s when the Hungarians sought the expansion of trade with Canada and the establishment of diplomatic relations. As part of a package agreement signed June 11, 1964, which established diplomatic and consular relations between Canada and Hungary and which also included a trade agreement, the Hungarian and Canadian governments exchanged notes agreeing to enter into negotiations with the Canadian Government "with a view to reaching agreement on a lump-sum settlement of all outstanding reciprocal financial claims".

Following the conclusion of the 1964 agreement, Canadian citizens were invited to submit claims against the Government of Hungary to the Legal Division of the Department of External Affairs. In response to advertisements in the press, approximately 1500 claims for compensation for property affected by Hungarian acts of nationalisation and similar measures and claims under the Treaty of Peace with Hungary of February 10, 1947 were submitted from July 28, 1964 to December 1, 1964.

After analysis by officials of the Department of External Affairs approximately one-third of these were considered ineligible for negotiation under the terms of the 1964 agreement on grounds of citizenship. Under international law the Canadian Government can only espouse claims which have been owned continuously by a Canadian citizen from the time of loss. The remaining 1000 claims formed the basis of discussion for the first round of negotiations.

Negotiations with the Hungarian Government began in Budapest in January 1966, with subsequent rounds in Budapest in February 1967; in Ottawa in June 1967; in Budapest in November and December 1967; and in Ottawa in October 1969. At the final round of negotiations in October 1969, the stalemate that had developed was overcome and the two sides came within sight of a settlement. Final agreement on the quantum of the settlement was reached in December 1969.

It should be noted that the Agreement does not specify the individual claims that are being compensated but rather sets out the categories of claims included in the lump-sum settlement. The distribution of the proceeds of the Agreement is to be within the exclusive competence of the Canadian Government.

The Government will shortly establish a commission to adjudicate the individual claims and make recommendations to the Secretary of State for External Affairs and the Minister of Finance regarding the distribution of the lump-sum to claimants.