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ERRATA TO THE EXPERTS' REPORT

The official text of the Report from the First Committee of Experts was in both the French and English languages. Owing to the difficulties of giving technical phraseology a dual equivalent meaning and to printing errors, the official English text as published on April 9, 1924, contained some verbal discrepancies. The Reparation Commission has determined certain errata, which are here listed with reference to the pagination of *Reparation*, Part V.

- Page 360, line 14. For "500 milliards" read "500 millions."
- Page 361, line 5. For "reduction of 250 million" read "reduction within the limit of 250 million."
- Page 361, line 9. For "reduction of 250 million" read "reduction within the limit of 250 million."
- Page 383, par. 1, line 8. For "by the German Government, and by depreciation" read "by the German Government, extinction of the real value of bank debts, and by depreciation."
- Page 390, par. 5, line 2. For "the yield at 2,146,000,000 gold marks" read "the yield at 2,146,000,000 gold marks, and the yield for the subsequent years should be higher."
- Page 392, par. 8, line 2. For "should have disappeared" read "should largely have disappeared."
- Page 397, par. 3, line 6. For "467 milliards" read "467 millions."
- Page 398, par. 2, line 5. For "760 (million)" read "760 million."
- Page 413, footnote 1. For "reduced by $\frac{36}{33.72}$ " read "reduced by $\frac{26}{33.72}$ "
- Page 426, par. 1, line 1. For "Article (a)" read "Article X (a)."
- Page 427, par. 1, line 2. For "Annex [I]" read "Annex [6]."
- Page 434, par. 1, line 2. For "paragraph VIII (c)" read "paragraph VIII (c) of Part I."
- Page 434, par. 3, line 6. For "to make the three earlier years" read "to make the two earlier years."
- Page 434, par. 3, line 7. For "three later years" read "four later years."
- Page 461, par. 4, line 8. For "Article V below" read "Article IV below."
- Page 462, par. 2, line 4. For "350 million gold marks" read "330 million gold marks."
- Page 464, par. 1, line 6. For "the first and each of the following years" read "the second year up to an amount of 250 millions and each of the following years."
- Page 464, par. 1, line 8. For "bonds have been paid off" read "bonds have been paid off up to an amount of 250 million gold marks."
- Page 468, par. 1, line 6. For "five members" read "six members."
- Page 470, par. 2, line 6. For "under sub-divisions b and c" read "under sub-divisions a and b."

REPARATION

I. PRESENT STATUS

Reparation took on an entirely new aspect dating from September 1, 1924, when the first year began under the plan of the report of the First Committee of Experts of the preceding April 9. On February 1, 1925, the Reparation Commission, which under the treaty of Versailles was a juridico-politico-economic body representing the creditor states, demobilized into a clearing house for the creditors, though potentially retaining its treaty status.¹ The Experts' Plan system, which relates primarily to Germany though it envisages three other debtors, is bilateral; the treaty system was essentially unilateral. Whatever the future may hold, it is improbable that the bilateral principle will be relinquished. Any dispute which arises under the reparation system will be submitted to arbitration. Outstanding problems will be settled by negotiation.

In the early days of 1925 it is too soon to say whether or not reparation is a settled problem, but it is evident that it is largely settled so far as Germany and the immediate future are concerned. The mere agreement to appoint the Committees of Experts forecast the elision of political considerations from their conclusions. The plan noted that inflation had practically wiped out the German public debt and it proceeded scientifically to substitute the reparation indebtedness for that normal burden. For five plan years, that is through August 31, 1929, the total charges are fixed on a sliding scale up to 2,500,000,000 gold marks;² subsequently a supplement, determined scientifically by applying a composite index of prosperity, will be brought into operation. Payments into the German bank of issue to the credit of the Agent General for Reparation Payments constitute "the definitive act of the German Government in meeting its financial obligations."

The system bears a resemblance to income taxation, without any surcharge feature. It is also like a current income tax because it affords, at the present time, no criterion as to how long pay-

¹Cf. p. 506.

²See p. 298-302.

ments are to continue and how much the payer shall eventually make over to the creditor. It may be anticipated that bilateral negotiations will eventually fix both points, which would seem to be the chief outstanding uncertainties in the system so far as Germany is concerned.

The full operation of the plan system contemplates the flotation of 16,000,000,000 gold marks of German securities: the 11,000,000,000 marks of railway bonds which were delivered to the Reparation Commission early in the process of organization and the 5,000,000,000 marks of industrial debenture bonds which were placed in the hands of the trustee on February 28, 1925. These securities belong to the creditor states, which must reach a decision as to whether they will be taken by the public treasuries, placed on the international market or absorbed by Germany either by general investment or repurchase by the concerns obligated.¹

The first test of the plan, so far as Germany is concerned, will occur in the third year, beginning September 1, 1926, during which the German budget will have to pay 110,000,000 gold marks to the Agent General for Reparation Payments. In the following year the budget burden will be 500,000,000, and in the fifth year 1,250,000,000.² The increase of the burden, in view of the present satisfactory condition of the German budget, will apparently be successfully met, and the ability of the German Government to meet the increased budget burden will doubtless be regarded as an indication of the future success of the plan.

But if political elements are now elided and the debtor's methods of payment determined, there remains the other side of the economic problem—how the creditors can receive the amounts due them on the books. The Committee of Experts was not asked to solve that problem; it was not taken up at the London Conference on Reparation or at the Financial Conference at Paris. It remains outstanding and will be reached as a problem if and when a limit of 5,000,000,000 gold marks is reached in "all funds accumulating in the hands of the reparation creditors in Germany." At such a time, the only present provision is

¹Cf. Report of the First Committee, *Reparation*, Pt. V, p. 380-84, 385, 461, 466.

²Cf. Protocol of August 8, Chap. I, p. 239, *infra*.

that the German "contributions from the budget are to be reduced below the standards set out in our plan, so that they are not in excess of the withdrawals from the account and the accumulation is not further increased." The experts did "not deny that this part of our proposal will present difficulties of a novel character which can only be solved by experience" of the Transfer Committee. At such a time also it will have to be decided whether reduction of German current payments would operate as a reduction in her obligation or only a postponement. During the first six months no hint of any difficulty on that score had appeared.

It thus appears that both debtor and creditors are likely at a future time to have an interest in solving definitely the questions of the period over which payments are to run and their total amount. Bilateral negotiations on that problem may be regarded as the next, and perhaps final, chapter in reparation. Until that problem is posed in practical form, the present status of reparation may be expected to be operative, taking on concrete form and becoming an economico-financial system of world-wide significance.

The basic elements of that system as now apparent from the agreements made are presented in the following pages.

II. THE LONDON CONFERENCE

The reports of the two Committees of Experts appointed by the Reparation Commission on November 13, 1923, were formally presented to that body on April 9, 1924. On April 11, the commission passed a resolution that the reports "offer a practical basis for the rapid solution of the reparation problem." The German Government on April 16 declared "its willingness to collaborate in the execution of the Experts' Plans." On the following day, the commission approved the reports "within the limits of its powers, and decided to transmit them to the Governments concerned." Favorable replies from creditor Governments were received from France on April 25;¹ Belgium on April 24; the British Empire on April 24; Italy on April 24; the Serb-Croat-Slovene State on April 26; and Japan on April 28. There followed on April 28 the appointment of committees, which included German representatives, to serve on the organization committees for the German railroad company, for the issuance of industrial debentures and for the Reichsbank.

In the next two months, progress was somewhat slow, owing to the French electoral campaign, the May elections, the defeat of the Poincaré Government, the accession to power of the *bloc des gauches*, the presidential electoral controversy resulting in M. Doumergue succeeding M. Millerand on June 13, and the taking over of the government by Premier Herriot.

The Poincaré Government had accepted the Experts' Reports, so that there was no likelihood of an internal French divergency of policy arising on that capital point. However, the Left parties held quite different points of view on other connected matters, such, for instance, as the occupation of the Ruhr. Nevertheless, the essential attitude of all Frenchmen is the same, and the possibility of internal differences at that time revolved around differences in method of procedure rather than of purpose. M. Herriot made his policy evident at once. He sought as close cooperation as possible with the British Government, and toward

¹The French acceptance was not unequivocal. The texts are in *Le Temps*, April 27; *London Times*, April 28, p. 11, and *New York Times*, April 27, p. 1; *Le Temps*, May 1.

Germany he held an attitude designed to encourage the Berlin Government to put its best foot forward.

FRENCH AND BRITISH POLICY

M. Herriot visited Premier MacDonal of Great Britain on June 21 and 22. The preoccupation of his mind is reflected in his remarks during the interviews held at Chequers Court. The minutes of the conversations were published by *L'Éclair* on December 27, 1924. The record of June 22, which bore intimately upon the questions then uppermost, is summarized as follows:¹

At the beginning, Mr. MacDonal put the question whether the Germans should be invited to the London conference, and in what conditions. This brought from M. Herriot the declaration that, while he wished to admit the Germans, he did not want to go too quickly lest public opinion in France should be disturbed.

"All the results we might obtain," he said, "would be hidden by one word thrown out to public opinion; Capitulation." The strong Nationalist minority in the Chamber of Deputies would profit by that, and in the Senate he had only a slight majority. "If my ministry falls," added M. Herriot,—“and it is perhaps the one most based on the Left—we shall have to look forward to four years of a policy, if not Nationalist, at any rate of compromises and combinations.”

M. Herriot laid emphasis on this point of view in speaking of interallied debts, saying that on his return Parliament would ask him what he had done in that regard. Mr. MacDonal said his view had always been that the question of interallied debts should not be mixed with that of the Experts' Report. The British payments to the United States had brought a fresh element into the question, and the British Government would like a general settlement of interallied debts. He therefore suggested that debts should not be discussed at the coming London conference, but should be dealt with on the first suitable occasion afterward. . . .

On the question of security, M. Herriot asked whether Great Britain was willing, once the question of reparation and the Experts' Report was settled, to consider a pact of mutual guaranty under the League of Nations and involving Germany, with reciprocal undertakings not to start aggression. There might first be a pact between the Allies, then another pact offered to Germany.

M. Peretti de la Rocca, French political director of the ministry for foreign affairs, suggested that they might begin by asking for guaranties

¹London Times, December 27, 1924, p. 9.

complementary to those of the League of Nations, and prepare for the exercise of the powers of the League of Nations under Art. 213; to create a permanent technical committee on which allied representation should predominate in close touch with the League Council and create a further organization subordinate to this committee which should control, permanently and on the spot, demilitarization in Rhineland territories; strengthen the provisions of the demilitarization clauses of the treaty of Versailles; provide for measures to be taken in case of breach of the disarmament clauses; and institute a procedure of effective guaranty in case of urgent danger. They might try to agree on the text of a British pact, starting, for example, from Mr. Lloyd George's offer. Once such a pact was concluded, they could consider a pact of nonaggression with Germany. Finally, both the pacts would be brought within the Pact of General Mutual Assistance, then being prepared by the League.

Mr. MacDonald said that before making any engagement he would have to get the support of the Dominions. To be frank, he must tell [M. Herriot] it would perhaps be difficult. Another difficulty was that, if M. Herriot might have to face strong opposition on the part of his predecessors, he himself had to reckon with Mr. Lloyd George, who would go back to the Cannes affair and reproach him with accepting what Mr. Lloyd George had refused and with being more chauvinistic than he (Mr. Lloyd George) was. As for a treaty of mutual guaranty, he ought not to hide the fact that all his naval, army and air service experts and also the Foreign Office were against it. The treaty would involve an increase of their armies, and that would not be supported in Great Britain. He might add confidentially that Sweden, Denmark and Holland were equally hostile to the proposed treaty.

To save the situation, Mr. MacDonald suggested that France, Belgium and Great Britain should first proceed to examine the situation as a whole. If they started with a treaty, they would tie their hands and would prejudice the position of the United States. While waiting for the United States to call a fresh disarmament conference—which might happen before a year had passed—they might survey the whole question and not merely the technical side.

M. Herriot said that they were, he hoped, going to settle the money questions, but what would happen if one day Germany declared that she would not pay, and if she expelled the control organizations and restored the monarchy? They ought to have the courage to recognize that the reparation problem was not only financial but political and military, and that owing to the default of Germany. From information given by General Nollet, a true democrat and a sincere pacifist, it was clear that Germany was preparing an army of a new type. General Nollet's opinion was that with the 100,000 men left to her by the treaty

of Versailles, Germany was going to do once more what Prussia succeeded in doing after the Napoleonic wars. If in 10 or 15 years the League of Nations had not produced an organization capable of affording military protection and if Germany, even republican, tried to free herself from her obligations by force, what should they do? "My country," said M. Herriot, "has a dagger directed at her breast, at an inch from the breast." He would not have done his duty toward his country if he did not render Germany incapable of doing harm. France could not count on an international conference alone, and the United States was a long way off. He would prefer that France should not be paid if she must give up her security. If there were a fresh war, France would be wiped off the map of the world.

Mr. MacDonald, who said he was deeply moved by M. Herriot's words, declared that he did not want to choose the easy path and take part in the offer to France of a military guaranty of security. If he did that, he would only be deceiving them. None of the Dominions would support him, a reactionary Government would take his place, and finally France would have no security. From that moment he was ready to take all steps to begin the consideration of the question. He was in favor of bringing in the League of Nations and of arriving at agreements. But honestly he could not go further at that moment. Let them settle the question of the Experts' Report, then consider interallied debts, then take up the problem of security, and they would try to protect Europe from the risks of war. If France, Belgium and Great Britain formed a strongly united whole, they would have solved nine-tenths of the problem of security.

M. Herriot then closed the conversation by saying: "In short, the most important conclusion is a kind of moral pact of cooperation between us for the good of the general interest and of the world."

LAY DOWN CONFERENCE PROGRAM

The French opposition conducted an active campaign against M. Herriot's attitude of *rapprochement*. This Nationalist effort became so formidable that, on M. Herriot's motion, the two premiers met at Paris again on July 9 to draw up a Franco-British memorandum concerning the application of the Report of the First Committee of Experts. (It may be remarked in passing that the Report of the Second Committee of Experts, dealing with German capital exports, has been completely neglected since its publication. M. Poincaré found nothing useful in it, and M. Herriot contrived to forget it.) The joint memoran-

dum of July 9 embodied the program for the London Reparation Conference. Their memorandum, after recapitulating the existing position respecting the execution of the plan, continued:¹

5. It becomes necessary, therefore, that the creditor Governments should conclude an arrangement in virtue of which they engage to take the measures within their competence in order to have the Dawes Plan put into operation.

The British and French Governments declare that it is of the highest importance that the Experts' Report shall become operative without delay so as to insure the payment of reparations by Germany and to bring the Allies back to cooperative action.

To this end the two Governments have agreed on the following points:

(a.) A conference shall meet in London on July 16; the two Governments note with satisfaction that the United States of America have decided to be represented.

(b.) The Governments concerned will first of all confirm the acceptance, so far as they are concerned, of the conclusions of the Dawes Report—an acceptance which they have already announced individually to the Reparation Commission.

(c.) The arrangements to be concluded must not diminish the authority of the Reparation Commission. But in view of the fact that some security must be given to the lenders who provide the 800 million gold marks and to the holders of the economic bonds, the two Governments will unite in an effort to secure the presence of an American on the Reparation Commission in the event of the latter having to consider a default on the part of Germany. If this solution proved impossible and in the event of the members of the Reparation Commission being divided in opinion as to the significance of the facts of the case, the two Governments would recommend that the Reparation Commission should call in the Agent General of Reparation Payments, who is to be of American nationality.

(d.) The Dawes Report contains provisions to meet minor defaults by means of the various supervisory organizations; but an important wilful default would at once raise the question of Germany's good faith. In the event of the Reparation Commission declaring such a default, the Governments concerned will undertake to confer at once on how to put into operation such measures as they shall agree to take in order to protect themselves and the investors.

(e.) The plan by which German economic and fiscal unity shall

¹*Proceedings of the London Reparation Conference, July and August 1924* (Parl. Pap., Misc. No. 17 (1924). Cmd. 2270), p. 106, 108, 110.

be restored so soon as the Reparation Commission shall have decided that the Dawes Report is in operation, shall be settled at the Interallied Conference. The Reparation Commission will be asked to prepare and present to the Interallied Conference suggestions for such a plan.

(f.) Should experience show the necessity for modifications in the Experts' Plan, such modifications should only be introduced subject to all necessary guaranties and by common agreement between the interested Governments, except in so far as the Reparation Commission already has the necessary powers.

(g.) In order to take full advantage of the reparation payments provided for in the Experts' Report and to secure that they may benefit the nations interested, the Allies shall appoint a special body to advise the Governments interested what organization should be set up in each country for putting to proper use the payments made by Germany (in particular by way of transfers and deliveries in kind).

(h.) It will also be necessary to settle the question who shall be the authority to be intrusted, if the necessity arises, with the interpretation of the Dawes Report, as well as of the arrangements to be concluded in London for putting the report into operation.

6. In the event of difficulties of interpretation arising in connection with the present document, the two Governments agree to refer these to their respective legal advisers.

7. The two Governments have had a preliminary exchange of views on the question of interallied debts. The British Government declare that they will, in consultation with the Governments concerned, seek an equitable solution of this problem, due regard being had to all the factors involved. This question is therefore referred for preliminary examination to the experts of the treasuries.

8. The two Governments have likewise proceeded to a preliminary exchange of views on the question of security. They are aware that public opinion requires pacification; they agree to cooperate in devising, through the League of Nations or otherwise, as opportunity presents itself, means of securing this, and to continue the consideration of the question until the problem of general security can be finally solved.

The Reparation Commission, in response to an invitation from the two Governments, on July 15, reached a unanimous decision "that the putting into execution by Germany of the Experts' Plan implied:"¹

¹ *Proceedings*, p. 110.

1. The voting by the Reichstag in the form approved by the Reparation Commission of the laws necessary to the working of the plan and their promulgation;

2. The installation, with a view to their normal working, of all the executive and controlling bodies provided in the plan;

3. The definitive constitution in conformity with the provisions of the respective laws of the bank and the German Railway Company;

4. The deposit with the trustees of certificates representing the railway bonds and such similar certificates for the industrial debentures as may result from the report of the Organizing Committee;

5. The conclusion of contracts assuring the subscription of the loan of 800,000,000 (eight hundred million) gold marks as soon as the plan has been brought into operation and all the conditions contained in the Experts' Report have been fulfilled.

JOHN BRADBURY.

LOUIS BARTHOU.

CONCILIATION THE KEYNOTE

The London Reparation Conference convened on July 16 and formally ended on August 16, 1924. The final act was not, however, definitely signed until August 30, owing to the stipulation in the documents that they become effective when signed. In each state concerned, the documents were submitted to parliamentary sanction in the interval before the definitive signing. In the case of Germany, the series of internal laws requisite for the execution of the plan was passed before that event.

The conference was in many respects a memorable one. It was the first instance in which the reparation states admitted Germany to the appropriate part of their proceedings and treated the Berlin delegates as the representatives of states as supposed to be treated by international law and courtesy. The delegates never failed to feel and to emphasize the importance of the work they were undertaking, and with the single exception of the British Chancellor of the Exchequer, the utmost courtesy prevailed, and the greatest desire to meet the point of view of others, so far as was consistent with national policy. In fact, this spirit of conciliation resulted in the conference reaching a conclusion upon several points which it had been anticipated would prove insoluble there.

The United States sent delegates to the conference, who, as the records show, were official representatives "with strictly limited powers." The American delegation was listed among the conference delegations without any distinction. Frank B. Kellogg, American ambassador at London, in his address of July 16 said: "It is true we do not come in the same capacity, with the same powers, as the other delegates, because we are not parties to the Versailles treaty or the sanctions now in force, but we come in the same spirit, and desire to be helpful. . . . I can say simply that my Government and the people of the United States believe that the adoption of the Dawes Report is the first great step in the rehabilitation of Europe, the stabilization of our industries and the prosperity and happiness of the people."¹

The American delegates took an active and useful part in the plenary meetings and the committees, where the experts assisted with reports; but the American delegates did not sign the final act.

The conviction of all concerned that the conference must bring agreement resulted in a large use of committees of jurists. In view of the practice of excluding the Germans from negotiations affecting their fate, which had been followed since the Paris Peace Conference, France had been steadily opposed to admitting them to the conference, which began without any invitation being extended to them. It was obvious, however, that the bilateral character of the Experts' Report required their agreement to some points under discussion. This problem was raised in the plenary meeting on July 23, previous to which the French had agreed that it go before a committee of jurists, to which were submitted the two following questions:

Does the putting into operation of the Dawes Plan raise questions requiring an agreement with Germany, and if so, what are they?

By what procedure should this agreement be obtained without contravening the treaty of Versailles?²

Their report was dated July 25 and was agreed to on July 28.³ The report itself, a model of legal reasoning,⁴ determines the form of the documents drawn up. The committee found that the complete and loyal realization of the plan involved agreements between the Reparation Commission and the German Govern-

¹*Proceedings*, p. 10.

²*Proceedings*, p. 37.

³*Proceedings*, p. 23.

⁴*Proceedings*, p. 132.

ment, the Allies and the German Government and between the Allies themselves, and that all of the parties should at least have cognizance of all these agreements. As a consequence it advised that they should be annexed to a final act, which should state that all were agreed upon putting the plan into operation and that the necessary agreements, complementing each other and appended, had been concluded during the conference.

The necessary invitation to the Germans was issued in the name of the president on August 2, and they participated from the plenary meeting of August 4 on.

A minor angle of the conference was the representation of the British Empire. As Mr. MacDonald stated, "the British Empire is at present considering the whole question of how in future delegations to conferences, which may result in obligations being imposed not only upon us here at home but upon the whole of the Empire, shall be selected." The arrangement arrived at with the Dominions was very hurried and temporary. It was that the "representatives of any of the Dominions so desiring, and of India, shall become members of the British Empire delegation at the conference on the panel system." He added that the arrangement "was not to be regarded or quoted as a precedent," and that it did not "increase the representation of Great Britain at this conference."¹

The conciliatory attitude of the delegations was borne out by the expedition with which the decisions to be taken were effected. The problem which created the most difficulty, both among the Allies and with the German delegation, was that of deliveries in kind, additional to those provided for in the treaty of Versailles and subsequent to its operation. The agreement finally reached (Clause 2 of the Allied-German Agreement) resulted in very technical and lengthy arguments.

¹*Proceedings*, p. 22.

RUHR SUBJECT OF SEPARATE NOTES

The agenda of the conference was especially understood to exclude any discussion of the Ruhr occupation. The Allied-German agreement of August 30 necessarily had to specify some details as to the restoration of the physical and economic unity of Germany in the Ruhr, but Art. 1 of that agreement was given a double unilateral form, so that it did not necessarily go beyond the very reserved reference in the Experts' Report,¹ but outside of the conference, certain understandings were reached which saved the situation for both the French and Belgians on the one side and the Germans on the other. On August 16, the heads of the French and Belgian delegations sent to Chancellor Marx the following letter, to which he replied on the same date.²

Mr. Chancellor,—We have the honor to inform you of the following statement which we make on behalf of our two Governments:

“The French and Belgian Governments, confirming their previous declarations to the effect that the occupation of the Ruhr was carried out by them in virtue of the treaty of Versailles, but being determined to respect the undertakings entered into at the time of the occupation, which had no object other than that of obtaining from Germany guarantees for the carrying out of her obligations, declare that if the London agreements freely entered into for the putting into force of the Experts' Plan are carried out in the spirit of good faith and pacification which has inspired the deliberations of the conference, they will proceed to the military evacuation of the Ruhr within the maximum period of one year from the present date. We shall be glad if your Excellency would acknowledge receipt of this communication.”

(Signed) HERRIOT.
THEUNIS.
HYMANS.

The German reply was as follows:

Gentlemen,—I have the honor to acknowledge receipt of your letter of today's date in which you communicate to me the declaration of the French and Belgian Governments regarding the evacuation of the Ruhr territory.

In taking note of this declaration, I maintain the point of view upheld on different occasions by the German Government that the occupation of German territories beyond the German frontiers fixed by Art.

¹ *Reparation*, Pt. V, p. 365.

² *London Times*, August 18, 1924, p. 16.

428 of the treaty of Versailles can not be recognized as lawful. At the same time I would express my conviction that it would be desirable to hasten as much as possible military evacuation so as to terminate it before the date fixed by you. I trust that the French and Belgian Governments will consider this point of view.

(Signed) MARX.

Although the French and Belgians did not agree to the German insistence upon immediate evacuation, they, nevertheless, added to that exchange of letters another one announcing a voluntary act of immediate evacuation, which was gratefully accepted by the Germans. The supplementary correspondence follows:¹

Mr. Chancellor,—At the moment when the London conference is about to close, a conference which marks a serious effort to establish a régime of international concord, the French and Belgian Governments, desirous of giving immediate and spontaneous proof of their desire for peace and their confidence in undertakings freely entered into, have decided to order on the morrow of the final signatures the military evacuation of the zone between Dortmund and Hörde and of territories outside the Ruhr² occupied since January 11, 1923. This evacuation will be carried out simultaneously with the economic evacuation of the same zones.

The German Chancellor's reply was very cordial:

Gentlemen,—I have the honor to acknowledge receipt of your letter of today's date in which you confirm that on the morrow of the final signature of the London agreement the military evacuation of the Dortmund-Hörde zone as well as that of the parts of territories occupied after January 11, 1923, and situated outside the Ruhr region, will be ordered. I rejoice at this decision which, in your confidence in the agreements which have been reached, you have taken to restore peace. The German Government is determined to be guided by the same spirit. It hopes that the carrying out of this decision will mark the beginning of a new era which will conduct us to a peaceful and fruitful development of the relations between our countries.

Great Britain, which was very anxious to evacuate the Cologne sector on the right bank of the Rhine, was not entirely satisfied with the delay indicated in the first exchange of correspondence, although the immediate evacuation of Dortmund and Hörde,

¹London *Times*, August 18, 1924, p. 16.

²The evacuation took place October 22, 1924 (*Le Temps*, October 23, p. 1) and November 17-18 (*ibid.*, November 16, p. 6).

the two easternmost occupied points of the Ruhr, undoubtedly met with its approval. Premier MacDonald, accordingly, addressed to the French and Belgian premiers the following letter:¹

In view of the new agreement which has been reached regarding the occupation of the Ruhr and of the exchange of notes between the three Governments primarily concerned, it is necessary that I should reiterate in writing the position of the British Government as I have so frequently explained it during the last two or three days.

The British Government has never recognized the legality of the occupation of the Ruhr or the interpretation of the clauses in the treaty of Versailles upon which their Allies acted. They hoped that, as that occupation was undertaken solely for economic purposes, it would be withdrawn so soon as the Dawes Report was put in operation. The expert committee, because their terms of reference were too limited, had to refrain from making recommendations regarding this military occupation, but they made it clear that the economic effect of the occupation could not be overlooked if and when their report was acted upon.

The Occupying Powers and the German Government have agreed to accept an arrangement by which the occupation shall not extend beyond 12 months from this date, but may be terminated earlier. The British Government, without prejudice to the position which they and their predecessors have taken up as to the interpretation of the treaty, but being anxious to see the Dawes Report in operation, simply note the agreement, and urge most strongly that the Governments concerned should take every possible step to hasten the evacuation, as, in the opinion of the British Government, the continued occupation may prejudice the working of the Dawes Plan, and jeopardize the arrangements agreed to at the London conference.

The final protocol and annexed agreements were not signed at the conference. This unusual procedure was due to the complications of bringing the plan system into force. The engagements concerning the several states were of such a character as to require parliamentary sanction before executive ratification. Part of the German Government's obligation was to secure the legislative passage of several laws in terms meeting the approval of the Reparation Commission. Further, all of the agreements should enter into force at one and the same time, in order that the periods for bringing the plan into operation might have a definite date from which to run. As a consequence, it was

¹London *Times*, August 19, 1924, p. 10.

arranged that the agreements should come into force when signed, without any provision for exchange of ratifications. Between August 16 and August 30, the date of affixing the formal signatures, the parliaments discussed and approved the action of their Governments. The passage of the German laws was not effected until the last minute, and in fact they bear the same date as the protocol. The decisions of the conference, being a final protocol and four annexes, make clear the subject matter of the settlement reached at the conference. The texts are as follows:

FINAL PROTOCOL¹

The representatives of the Belgian Government, the British Government (with the Governments of Canada, Australia, New Zealand, South Africa and India), the French Government, the Greek Government, the Italian Government, the Japanese Government, the Portuguese Government, the Rumanian Government, the Serb-Croat-Slovene Government, and the German Government, accompanied by the representatives of the Government of the United States of America, with specifically limited powers, and the representatives of the Reparation Commission, being assembled at the Foreign Office under the chairmanship of the Right Honorable James Ramsay MacDonald, prime minister and secretary of state for foreign affairs, on the conclusion of the proceedings of the London Conference on the application of the plan presented to the Reparation Commission on April 9, 1924, by the First Committee of Experts appointed by it on November 30, 1923,

The president states that all the Governments concerned and the Reparation Commission have confirmed their acceptance of the plan and have agreed to its being brought into operation, and that in the course of the proceedings of the conference certain agreements which are necessary to enable the plan to be brought into operation have been drawn up, or already signed, by the parties concerned. It is understood that these agreements, which have now been signed or initialed *ne varietur* (except as regards the dates laid down in the agreement forming Annex III hereto, which will be extended by seventeen days) and are annexed hereto, are mutually interdependent. The representatives of the parties concerned will meet in London on August 30 next in order to effect, at one and the same session, the formal signature of the documents which affect them and have not already been signed. On this occasion a certified copy of the agreement concluded between the Allied Governments will be communicated to the German Government.

¹*Proceedings of the London Reparation Conference, p. 322.*

The statement of the president having been approved unanimously by the representatives of the Governments concerned and of the Reparation Commission, the president declares the proceedings of the conference at an end.

London, August 16, 1924.

J. RAMSAY MACDONALD, *President.*
 M. P. A. HANKEY,
Secretary-General.
 JACQUES DAVIGNON,
Belgian Secretary.
 RALPH F. WIGRAM,
British Secretary.
 R. MASSIGLI, *French Secretary.*
 GEORGE V. MÉLAS,
Greek Secretary.
 GINO BUTI, *Italian Secretary.*
 IYE MASA TOKUGAWA,
Japanese Secretary.
 JOÃO DE BIANCHI,
Portuguese Secretary.
 D. N. CIOTORI,
Rumanian Secretary.
 G. DIOURITCH,
Serb-Croat-Slovene Secretary.
 E. WIEHL, *German Secretary.*
Reparation Commission
Representative.

ANNEX I¹

Agreement between the Reparation Commission and the German Government

The contracting parties,

Being desirous of carrying into effect the plan for the discharge of the reparation obligations and other pecuniary liabilities of Germany under the treaty of Versailles proposed to the Reparation Commission on April 9, 1924, by the First Committee of Experts appointed by the commission (which plan is referred to in this agreement as the Experts' Plan), and of facilitating the working of the Experts' Plan by putting into operation such additional arrangements as may hereafter be made between the German Government and the Allied Governments at the

¹The agreement was negotiated at the request of the conference dated August 2, 1924.

conference now being held in London, in so far as the same may lie within the respective spheres of action of the Reparation Commission and the German Government;

And the Reparation Commission acting in virtue not only of the powers conferred upon it by the said treaty, but also of the authority given to it by the Allied Governments represented at the said conference in respect of all payments by Germany dealt with in the Experts' Plan, but not comprised in Part VIII of the said treaty;

Hereby agree as follows:

I. The German Government undertakes to take all appropriate measures for carrying into effect the Experts' Plan, and for insuring its permanent operation, and in particular

(a.) It will take all measures necessary with a view to the promulgation and enforcement of the laws and regulations required for that purpose (especially the laws on the bank, the German railways and the industrial debentures) in the form approved by the Reparation Commission.

(b.) It will apply the provisions contained in Annex I hereto as to the control of the revenues assigned as security for the annuities under the Experts' Plan and other matters.

II. The Reparation Commission undertakes on its side to take all appropriate measures for carrying into effect the Experts' Plan and for insuring its permanent operation, and in particular

(a.) For facilitating the issue of the German loan contemplated in the Experts' Plan.

(b.) For making all financial and accounting adjustments necessary to give full effect to the Experts' Plan.

III. The Reparation Commission and the German Government agree

(a.) To carry into effect in so far as the same may lie within their respective spheres of action such additional arrangements as may hereafter be made between the German Government and the Allied Governments at the said conference now being held in London, including any provisions which may be so agreed for carrying into effect the Experts' Plan or for the introduction of modifications of detail in the working of the said plan. The said additional arrangements when concluded shall be added in the form of a second schedule to this document and shall be identified by the signatures of two members of the Reparation Commission on behalf of that body and of two duly authorized representatives of the German Government.

(b.) Any dispute which may arise between the Reparation Commission and the German Government with regard to the interpretation either

of the present agreement and its schedules or of the Experts' Plan or of the German legislation enacted in execution of that plan, shall be submitted to arbitration in accordance with the methods to be fixed and subject to the conditions to be determined by the London conference for questions of the interpretation of the Experts' Plan.

This provision shall be without prejudice to the arbitration clauses included in the Experts' Plan or in the said German legislation or in any of the annexes hereto.

IV. If no agreement shall be reached at the London conference between the Allied Governments and the German Government for the purpose of carrying into effect the Experts' Plan, this agreement shall be void.

London, August 9, 1924.

Signed for the Reparation

Commission:

LOUIS BARTHOU.

JOHN BRADBURY.

SALVAGO RAGGI.

LÉON DELACROIX.

Signed for the German

Government:

MARK.

Protocol concerning the Contributions to be made from the German Budget and the Institution of Control over the Revenues from Customs and the Taxes on Spirits, Tobacco, Beer and Sugar¹

CHAPTER I.—*Budgetary Contributions*

1. Germany has to pay each year from her budget to the agent for reparation payments the following amounts:

(a.) In the third year of the execution of the Plan of the Experts, *i.e.*, in the year 1926-27, 110 million gold marks.

(b.) In the fourth year of the execution of the Plan of the Experts, *i.e.*, in the year 1927-28, 500 million gold marks.

(c.) In the fifth year of the execution of the Plan of the Experts and the following years, *i.e.*, from the year 1928 onward, 1,250 million gold marks.

(These payments do not comprise the transport tax.)

2. In the event of the yield of the aggregate controlled revenues as defined in Sect. III exceeding 1 milliard in the third year, or 1¼ milliards in the following year, the budget contributions shall be increased by a

¹Reparation Commission.—Annexe 2134a, b. No. 60/10, p. 3; *Proceedings*, p. 228.

sum equal to one-third of such surplus, this addition, however, not to exceed 250 million marks.

On the other hand, if those aggregate revenues fall short of 1 milliard in the third year, or of $1\frac{1}{4}$ milliards in the fourth year, the respective global contributions shall be diminished by one-third of the deficiency, this diminution, however, not to exceed 250 millions.

The amounts by which the contributions from the budget are to be increased or decreased will be established at the end of each year. The surcharges or repayments required thereafter shall be effected by payment of one-quarter in each of the third, the fourth, the fifth, and the sixth months of the following year.

3. All payments to be effected by virtue of the present protocol to the agent for reparation payments by Germany, or for her account, shall be made in gold marks or their equivalent in German currency to the Reichsbank.

For the purpose of the present provision, a gold mark shall be considered as equal to the value of $1/2790$ kilog. of fine gold at the London quotation. This value is to be fixed on the basis of the London gold prices on the third market day before maturity. The conversion into German currency is to be based on the average rate ("Mittelkurs") of the last official quotation on the Berlin Stock Exchange for a cable transfer on London three clear days before the due date of each instalment. In cases where, by agreement, payments should be made at a date prior to the due date, the actual date of payment would be substituted for the due date for purposes of conversion.

CHAPTER II.—*Supplementary Budgetary Contributions*

1. From the sixth year of the execution of the plan, *i.e.*, from the year 1929-30 onward, an increase of the budgetary contribution provided for the standard year (1928) shall take place in accordance with the index of prosperity laid down below.

2. For the purpose of establishing the index, the following statistical data shall be employed:

(a.) The total of German exports and imports taken together.

(b.) The total of budget receipts and expenditure taken together, including those of the States of Prussia, Saxony and Bavaria, after deducting from both sides the amount of the peace treaty payments included in the year.

(c.) Railroad traffic as measured by the statistics of the weight carried.

(d.) The total money value of the consumption of sugar, tobacco, beer and alcohol within Germany, measured by the prices actually paid by the consumer.

(e.) The total population of Germany computed from the last available census data, vital statistics and emigration records.

(f.) The consumption of coal (and lignite reduced to coal equivalent) *per capita*.

3. In computing the base, the average statistics for the three years 1927, 1928 and 1929 shall be taken for budget receipts and expenditure (b), for the figure of the population (e), and for the consumption of coal *per capita* (f), and the returns of the six years 1912 and 1913, 1926, 1927, 1928 and 1929 for the other categories, due allowance being made in the latter case for the difference in population and the altered gold values to make the two earlier years comparable with the four later years. The percentage change for each of these six groups, compared with the base, shall be separately computed, and an arithmetical average of the six percentage results taken as the index.

4. During the five years from 1929-30 to 1933-34 the index figures shall be applied to the amount of 1,250 millions, *i.e.*, only half of the standard payment, in order to obtain the supplement for the year; during the following years, *viz.*, as from 1934-35 onward, it shall be applied to the standard payment, *viz.*, 2,500 millions.

5. The supplementary payment shall be reckoned only for each completed $\frac{1}{2}\%$ of the index, *i.e.*, an index average of 11.35% would be reckoned as 11%.

6. At the end of each year of the execution of the plan, the supplement, if any, shall be computed on the basis of the returns of the preceding calendar year, and the result shall be communicated to the Reparation Commission. The supplement for the year 1929-30 shall be computed by comparing the statistics of the calendar year 1929 itself with the index base and shall be paid before the end of the fourth month of the year 1930-31.

7. In the event of the index of any year producing, as the supplement, a "minus quantity," the normal payment shall continue to be made; but subsequent supplementary payments shall not accrue due until allowance has been made therefrom for such deficiency or "minus payment" of previous years.

8. The rules and regulations according to which the index is to be computed, as well as the data and the methods to be used with a view to ascertaining that the statistics furnishing the several elements of the index are as correct and unquestionable as possible, shall be fixed in detail by a committee, to consist of four members. Two of these members shall be appointed by the German Government and two by the Reparation Commission. The German Government will have the index computed by the "Statistische Reichsamt" in accordance with the methods indicated by the committee.

The committee shall be entitled to verify the statistics (more particularly the declarations and the statements) on the basis of which the categories (a) and (f) (Chap. II, 2) have been calculated.

The same statistics shall, under the same conditions and at his request, be brought to the knowledge of the Commissioner of Controlled Revenues.

In the event of the members of the committee not being able to come to an agreement on these various questions, they will request the Finance Section of the League of Nations to appoint a president. On the demand of the German Government, this president shall be a national neither of Germany nor of a country represented upon the Reparation Commission.

Any controversy arising between the German Government and the Reparation Commission in respect of the statistics serving as a basis for the index as well as regarding their application or regarding the computation of the index itself shall be settled by the same committee by application of the same procedure.

9. From the year 1928 onward the German Government, the Reparation Commission and the Governments represented on the Reparation Commission shall each have the right in any future year to ask for a revision of Germany's liabilities on the ground that the general purchasing power of gold—as compared with 1928—has altered by not less than 10 %. The revision to be made may apply both to the standard contribution and to the supplementary payment in accordance with the index of prosperity; as regards the latter, however, only in so far as the alteration of the purchasing power of gold has not already played a part in determining the figures of the several elements of the index of prosperity. Failing mutual agreement, a decision shall be given by an arbitral committee appointed by the League of Nations. After the decision, the altered basis shall stand for each succeeding year until a claim be made by either party that there has again been a change since the year to which the alteration applied of not less than 10 %.

The alterations under this paragraph shall be made by reference to such generally approved index numbers of prices (German or non-German) singly or in combination as they have been agreed to or as the arbitration may decide.

CHAPTER III.—*Control of the Assigned Revenues*¹

1. By way of security for the contribution from the German budget (Chaps. I and II) and by way of a collateral security for the guaranty given by the German Government for the payments provided for under the "Statutes of the German Railways Joint Stock Company" and of the "Industrial Charges Law" the German Government shall assign

¹Originated from a proposal by France on August 2 (*Proceedings*, p. 166).

the returns from customs and from the taxes on spirits, tobacco, beer and sugar and shall subject them to a control under the following conditions:

2. The exercise of the control shall be intrusted to a commissioner whose experience and capacity in this domain are generally recognized. He shall be appointed by the Reparation Commission and shall be responsible to that commission.

For each of the five assigned revenues, the commissioner will have a subcommissioner to assist him in the exercise of the control.

The commissioner shall have the assistance of an advisory committee, to which the United States of America, France, Great Britain, Italy and Belgium shall appoint one representative each.

3. The German services shall transfer the assigned revenues to the commissioner. These remittances shall be effected not later than the twentieth day of each month to the account of the commissioner with the branch of the Reichsbank to be designated by him, and in the following manner:

(a.) The ten most important "Zollkassen" will directly transfer the total amount collected by them during the preceding month in respect of the five controlled revenues.

(b.) The "Oberfinanzkassen" will transfer the total amount in respect of the five controlled revenues collected during the preceding month either by themselves or by the "Zollkassen," except those named under (a) above.

(c.) The "Branntwein-Monopolverwaltung" will pay the whole of the receipts from the spirits monopoly collected by itself during the preceding month.

In the case of the customs and the taxes on tobacco, beer and sugar, the amounts to be paid shall be the gross receipts, in the case of the spirits monopoly the net receipts.

The ten most important "Zollkassen" in the sense of (a) for the current fiscal year are those which have collected for the Reich during the first quarter of the current fiscal year the biggest receipts from customs, tobacco, beer and sugar taxes. For the subsequent fiscal years, the biggest "Zollkassen" will in every case be considered to be those which during the preceding calendar year have shown the biggest receipts from the controlled revenues.

The returns from the controlled revenues shall be entered in separate receipt-accounts kept at the collecting offices, and until the transfer to the account of the commissioner they shall be blocked at the payment offices mentioned above under (a)-(c) in such a way as to assure that the said payment offices will always have at their disposal an amount

equal to the sums paid direct to them or to the sums transferred to them.

In the official monthly publications regarding the returns from the taxes of the Reich, the assigned revenues should only appear under a separate head.

4. The commissioner will dispose in the following way of the amounts transferred to him:

(a.) In the first and second years, *i.e.*, during the years 1924-25 and 1925-26, during which Germany is not bound to effect any payments out of her ordinary budget, the commissioner will, subject to Art. 5, par. 2, and Art. 16, give orders to the effect that the amounts paid to his account be immediately replaced at the disposal of the German Government, as soon as he has received the total amount due from the returns of the assigned revenues.

(b.) From the third year onward, the commissioner will retain as much of each monthly payment as is necessary to cover one-tenth of the budget liabilities for the current year (*cf.* Chaps. I and II).

But of the amounts retained he will transfer each month to the agent for reparation payments one-twelfth of the budget liabilities for the current year. The balance will be used by him for the accumulation of a reserve fund until such time as, including interest accrued, this fund amounts to 100 million gold marks. After that date and as long as the fund remains at 100 million gold marks, the commissioner will retain only so much of each monthly payment as is necessary to cover one-twelfth of the budget liabilities for the current year.

The amounts not to be retained by the commissioner under the above provisions will be returned by him to the German Government at the latest within one week after the whole of the monthly receipts from the assigned revenues have been remitted to him.

The reserve fund is intended primarily to meet any deficiencies in the assigned revenues, should they in any month fall short of one-twelfth of the budget liabilities for the current year. If the reserve fund has been drawn upon to meet the deficiencies, it shall be replenished in accordance with the procedure laid down above (monthly retention of one-tenth instead of one-twelfth and of the accruing interest until such time as it again amounts to 100 million gold marks).

The commissioner is bound to invest the moneys of the reserve fund to the best advantage, without, however, depriving himself of the liberty of action indispensable to him. The accruing interest shall be credited to the reserve fund and shall be remitted to the German Government as soon as the reserve fund totals 100 million gold marks.

5. In the event of the interest and sinking fund payments on the

railway bonds and industrial debentures not being made at the due date or not being made in full, and of the trustee for the said bonds asking the commissioner for the payments due for the said interest and sinking fund, the commissioner will have recourse to the reserve fund mentioned under Art. 4, and, in so far as the reserve fund proves insufficient to cover the deficiency, the commissioner will retain so much of the amounts to be returned to the German Government pursuant to the above provisions as is sufficient to enable him to effect the payments demanded by the trustee, as well as to restore the reserve fund to its *status quo ante*. The same procedure will be adopted to restore the reserve fund to its former status if the reserve fund has proved sufficient to meet the deficiency. The commissioner shall, instead of returning the funds, hand over to the German Government the redeemed interest coupons and debentures.

In the event of the trustee for the railway bonds or the trustee for the industrial debentures giving notice to the Commissioner of Controlled Revenues that it is to be feared that the periodical payments for interest and sinking fund on the above-mentioned bonds will not be made on their due dates or will not be made in full, the commissioner is entitled to retain as from the day of this communication an amount sufficient to meet the probable deficiencies notified by the trustees. Notice can not be given by the trustees to the commissioner earlier than six weeks before the due date of the respective interest and sinking fund payments mentioned above, and only from the second year of the execution of the plan onward. As soon and in so far as the amounts retained prove not to be required for the payment of the interest and sinking fund amounts in question, they shall, together with the interest accrued, be forthwith repaid to the German Government.

6. From the coming into force of the Experts' Report, the commissioner will have the following rights:

(a.) In order to enable the commissioner to ascertain whether all the assigned revenues have been regularly collected from the taxpayers and have passed through the control administration, he shall be handed every month certified tabular statements containing continuous information concerning each of the controlled revenues, both in their entirety and with regard to every single tax-collecting office. Moreover, the commissioner shall be entitled to inspect the documents and vouchers which form the basis of the monthly schedules drawn up by the "Reichsrechnungsstelle" showing the returns of the controlled revenues, and on the basis of which the "Reichshauptkasse" keeps its accounts of the controlled revenues.

(b.) Furthermore, all the draft laws and ordinances concerning the controlled revenues shall be communicated to the commissioner; those

bills and ordinances which need the consent of the "Reichsrat" for promulgation simultaneously with their communication to the "Reichsrat"; all other ordinances simultaneously with their communication to the "Landesfinanzämter." Decrees circulated to the "Landesfinanzämter" regarding the collection of and accounts kept for the assigned revenues, shall be communicated to the commissioner at the same time as to the "Landesfinanzämter."

The commissioner and the subcommissioners will be in permanent contact with the ministry of finance. They will have access to the minister of finance himself, to the competent secretary of state and to the competent departmental director, who shall see to it that they and their accredited representatives are placed in touch once and for all with those officials who may be useful to them in the performance of their task. The commissioner is entitled to require any information which he deems useful for the performance of his task. The competent department of the ministry of finance shall supply him as quickly as possible with such information and with the requisite documents and data. With a view to procuring such information, the commissioner may also visit provincial or local administrative offices and factories subject to fiscal supervision, and may inspect at the above-mentioned offices the books and documents concerning the assigned revenues. For the same purpose he may likewise delegate his representatives or experts. Such visits will be effected by the commissioner or by his mandatory in the company of an official appointed by the Reich ministry of finance, unless no official be available at the time desired.

7. The rights of the commissioner as laid down in Art. 6 shall be extended:

(a.) If for three consecutive months the amount of the assigned revenues paid to the account of the commissioner is less each month than 120% of one-twelfth of the budget liabilities for the current year (cf. Chaps. I and II); or

(b.) If for six consecutive months—during which the relevant legislation, and more particularly the tariffs, have remained unmodified—the amount of the assigned revenues paid to the account of the commissioner falls short in all by more than 35% of the amount for the corresponding months of the preceding year, or falls short by more than 30% of the average amount for the corresponding months of the two preceding years; or

(c.) If for six consecutive months—during which the relevant legislation, and more particularly the tariffs, have remained unmodified—the total yield remitted by one of the controlled revenues falls short by more than 50% of the yield remitted during the corresponding months of the preceding year.

The extended rights which the commissioner may exercise either singly or concurrently are the following:

(a.) He may propose that the Reich minister of finance should use as strictly as possible, and to their full extent, the powers granted to him by existing laws to increase the yield of the assigned revenues, or he may propose that he should cancel all the facilities and concessions granted under the laws in force, such as the complete or partial remittance or reimbursement of taxes or the granting of respite, etc., until such time as the conditions on which the extension of the commissioner's right was based will have ceased to exist.

In submitting these proposals, the commissioner will make due allowance for economic needs, more particularly as regards exports, to the full extent compatible with fiscal requirements.

(b.) He may, except in the case of customs duties, veto measures reducing the tariffs for those revenues, the receipts of which have decreased; and in the case of all revenues, the receipts of which have grown smaller, he may protest against the mitigation of penalties or against any measures of a general nature which are liable to diminish or to delay the yield of these revenues. Accordingly, all bills and ordinances regarding the assigned revenues, as well as all decrees circulated to the "Landesfinanzämter" concerning the collection of, and accounts kept for, the assigned revenues, will be communicated to him before being submitted to the "Reichsrat" or to the "Landesfinanzämter." If within a week from the communication of the bill, etc., the commissioner fails to protest, he is assumed to be in agreement with the bill, etc.

(c.) He may instruct his mandatories or experts to ascertain the special causes of the decrease in the receipts of certain revenues. For this purpose he may, after notifying the Reich ministry of finance, install representatives or experts in certain "Landesfinanzämter" or in local customs offices or in both. In this case a German official will be associated with them with a view to facilitating the carrying out of their mandate, and to giving them an insight into the details of the internal and external working of the service.

(d.) In the event of the transfer of the receipts of the controlled revenues by the "Oberfinanzkassen" provided in III, 3, having in his opinion given rise to irregularities, the commissioner shall be entitled to claim that the number of important "Zollkassen" which are bound to effect direct payment be increased beyond the number of ten.

The extended rights of the commissioner will lapse when the causes which have led to their extension have ceased to exist and this new state of affairs has been maintained for three months.

8. The German Government shall temporarily assign as security—on conditions identical with those regulating the pledging of the former

receipts—other indirect taxes sufficient to produce, jointly with the revenues hitherto assigned, at least one-tenth every month of the budget liabilities for the current year (*cf.* Chaps. I and II), in any one of the following cases:

(a.) If the receipts of the controlled revenues decline to such an extent that for three consecutive months—or for two consecutive months, provided the minister of finance has not given effect to the proposals submitted to him by the commissioner (Art. 7, par. 2(a))—in spite of a complete absorption of the reserve fund—the commissioner has been unable each month to pay over to the agent for reparation payments one-twelfth of the annual budget liabilities fallen due (*cf.* Chaps. I and II).

(b.) If the minister of finance has not given effect to the proposals submitted to him by the commissioner, and if the receipts of the assigned revenues have not increased to such an extent as to insure that during the fourth and the two following months after the commissioner has submitted his proposals, the fraction of the assigned revenues handed over to the commissioner will again amount to 120% of one-twelfth of the budget liabilities of the current year.

As soon as the revenues originally assigned considered *per se* have for three consecutive months again produced a minimum of 120% of one-twelfth of the budget liabilities of the current year, the temporary pledging of the new taxes will end. At the same time the rights of the commissioner will again be reduced to those indicated in Art. 6.

9. If, on the other hand, the total receipts of the old and new pledged taxes taken together decrease to such an extent that during three consecutive months there can not be transferred an amount at least sufficient to cover three-tenths of the budget liabilities of the current year, the commissioner shall have the following rights:

He may, after consultation with the agent for reparation payments, require the execution of such measures as, in his opinion, are requisite and appropriate to redress existing shortcomings and to increase the receipts of the fiscal resources, the decline of which has caused the deficiency.

If these measures have been taken and applied, and if for at least four consecutive months the taxes assigned as security have yielded each month at least one-tenth of the budget liabilities, the measures shall be repealed in whole or in part, if the minister of finance and the commissioner consider that they are no longer necessary.

10. If these measures, in so far as they are covered by existing legislation, are not carried out immediately and, in so far as they involve an alteration of existing legislation, are not carried out within two months, or if they do not lead to the result that at the latest in the fourth month

after their coming into force one-tenth at least of the budget liabilities of the current year is handed over, the commissioner shall be entitled to claim, after consultation with the agent for reparation payments, that the administration of these revenues be changed. For this purpose he may claim that one or several autonomous organizations independent of the state be constituted which would have to administer those categories of taxation the failure of which occasioned the deficiency. But, in the event of the Reich minister of finance demanding it, such a change of organization can only be carried out after the arbitrator mentioned under Art. 14 has decided that this measure is necessary and apt to increase the returns from taxation so as to guaranty the annual budget liabilities (*cf.* Chaps. I and II).

11. The rates of the assigned duties on spirits, tobacco, beer and sugar shall not be reduced by the German Government without the consent of the commissioner.

12. The commissioner shall avoid any interference with the customs tariff policy of the German Government.

13. All the provisions of the present protocol shall be interpreted and applied in such a way as to insure that the persons charged with the control of the assigned revenues, as well as the experts appointed by the commissioner, will, when not on duty and even beyond the term of their activity as controllers, observe the strictest secrecy regarding the facts that may come to their knowledge in connection with the control and more particularly that the fiscal and trade secrets of the businesses involved will not be violated.

14. Any divergencies of opinion arising between the commissioner and the German Government with regard to the interpretation of this protocol and more particularly with regard to the rights enjoyed by the commissioner shall, at the request of the German Government or of the commissioner, be decided by an arbitrator to be appointed by the president at the time of the Permanent Court of International Justice of The Hague who, on the demand of the German Government, must be a national of a country other than Germany or the countries represented upon the Reparation Commission. Except in the case covered by Art. 10, an appeal to the arbitrator will not operate to suspend action.

15. All expenses incurred by the commissioner, the subcommissioners and their entire staff shall be met from the fixed annuities to be paid by Germany; they must not increase the said annuities. Only the supplementary expenses of control occasioned by the fact that the legitimate claims of the commissioner have not been complied with by the German administrative authorities will have to be defrayed by Germany in addition to the budget liabilities mentioned in Chaps. I and II. The

arbitrator provided in Art. 14 will decide whether and to what extent Germany has incurred such a liability.

16. In so far as at the beginning of the last quarter of the second year of the execution of the plan the danger may arise that the sale of preference shares of the company "Deutsche Reichsbahn," or that an internal loan will not produce an amount sufficient to meet the extraordinary liabilities falling due in the course of this year to an amount of 250 million gold marks, the commissioner shall be entitled, at the request of the agent for reparation payments, to retain from the receipts cashed by him during the last three months of the current year and during the first month of the next year a quarter each month of the amount required to cover the deficiency.

17. The provisions of this chapter regarding the assignment of certain revenues as security do not affect the budget liabilities contained in Chaps. I and II.

ANNEX II

Agreement between the Allied Governments and the German Government concerning the Agreement of August 9, 1924, between the German Government and the Reparation Commission.

The representatives of the Governments assembled in London,

Having taken note of the provisions of the agreement signed in London on August 9, 1924, between the German Government and the Reparation Commission, and of the questions of which under Art. III of the said agreement the settlement must be completed,

Agree that the following clauses shall be embodied in the said agreement:

CLAUSE 1¹

The procedure for the settlement of disputes contemplated in Art. III (b) of the said agreement of August 9, 1924, shall be as follows:

Subject to the powers of interpretation conferred upon the Reparation Commission by par. 12 of annex II to Part VIII of the treaty of Versailles and subject to the provisions as to arbitration existing elsewhere, and in particular in the Experts' Plan or in the German legislation enacted in execution of that plan, all disputes which may arise between the Reparation Commission and Germany with regard to the interpretation either of the agreement concluded between them, the Experts' Plan, or the German legislation enacted in execution of that plan, shall be submitted for decision to three arbitrators appointed for five years; one by the

¹This clause was proposed by the interallied legal committee of the [redacted] on August 4 (*Proceedings*, p. 76, 192) and approved at the interallied plenary meeting of August 12.

Reparation Commission, one by the German Government, and the third, who shall act as president, by agreement between the Reparation Commission and the German Government, or failing such agreement, by the president for the time being of the Permanent Court of International Justice.

Before giving a final decision and without prejudice to the questions at issue, the president, on the request of the first party applying therefor, may order any appropriate provisional measures in order to avoid an interruption in the regular working of the plan and to safeguard the respective rights of the parties.

Subject to any decision of the arbitrators to the contrary, the procedure shall be governed by the provisions of the convention of The Hague of October 18, 1907, on the pacific settlement of international disputes.

CLAUSE 2¹

The German Government declares—

(a.) That it recognizes that the Transfer Committee is free, subject to the conditions of the Report of the Experts, to employ the funds at its disposal in the payment for deliveries on customary commercial conditions of any commodities or services provided for in the program from time to time prescribed by the Reparation Commission after consultation with the Transfer Committee or by the Arbitral Commission provided for in par. (d) below, including in particular coal, coke and dye-stuffs and any other commodities specially provided for in the treaty of Versailles, even after the fulfilment of the treaty obligations in regard to these commodities.

(b.) That it recognizes that the program laid down by the Reparation Commission, after consultation with the Transfer Committee, or by the Arbitral Commission provided for in par. (d) below, for deliveries to be made under ordinary commercial conditions, shall not be subject, as regards the nature of the products, to the limitations fixed by the treaty of Versailles for the deliveries which the Reparation Commission can demand from Germany thereunder; but they shall be fixed with due regard to the possibilities of production in Germany, to the position of her supplies of raw materials and to her domestic requirements in so far as is necessary for the maintenance of her social and economic life and also with due regard to the limitations set out in the Experts' Report.

(c.) That it will facilitate as far as possible the execution of the program for all deliveries under either the treaty or the Experts' Report

¹This clause was one on which France laid much stress. It was much debated with and without the Germans. The principal forms it took are given in *Proceedings*, p. 52, 210, 286, 294, 322. For allied terms cf. p. 112, 118, 138.

by means of commercial contracts passed under ordinary commercial conditions; and that in particular, it will not take, nor allow to be taken, any measure which would result in deliveries being unobtainable under ordinary commercial conditions.¹

The Allied Governments on their side each undertake so far as it is concerned to prevent as far as possible the re-exportation of the deliveries received from Germany, except in accordance with the provisions of Art. V of annex 6 of the Experts' Report.²

(d.) The German Government further declares that it agrees to the following additional provisions in regard to the fixation and execution of programs for the deliveries of the undermentioned products after the fulfilment of the treaty obligations in regard to such products:

(i.) In default of agreement as regards the programs of deliveries of these products, either between the members of the Reparation Commission, or between the Reparation Commission acting unanimously and the German Government, programs which take due account of ordinary commercial custom shall be laid down for periods to be determined by the special committee referred to in Clause 3 of this agreement by an arbitral commission consisting of three independent and impartial arbitrators. The members of this arbitral commission shall be appointed in advance for a definite period by agreement between the Reparation Commission acting unanimously and the German Government, or, in default of agreement, by the president for the time being of the Permanent Court of International Justice at The Hague. The chairman of the commission shall be a citizen of the United States of America.

(ii.) In laying down the programs, the arbitral commission shall take into account the possibilities of production in Germany, the position of her supplies of raw materials and her domestic requirements in so far as necessary for the maintenance of her social and economic life, and also of the conditions set out in the Experts' Report, nor shall it exceed the limits fixed by the Transfer Committee with a view to the maintenance of the German exchange.

(iii.) The decision of the arbitral commission fixing the programs shall be final.

(iv.) The Allied Governments and nationals shall make every effort to obtain the delivery of the full amounts fixed by these programs by means of direct commercial contracts with the German suppliers.

¹This paragraph was deemed by the French to be of great importance. It appeared in a form different from the final one in the second report of the Third Committee of the conference, dated July 31, and was discussed in the plenary meeting of August 2 (*Proceedings*, p. 140, 54). On August 2, the Third Committee made a redraft (p. 152) on which the Germans made observations (p. 210), which resulted in a revision by the Experts (p. 292, text at p. 296).

²*Reparation*, Pt. V, p. 468-470.

(v.) If any Allied Government considers that it or its nationals have not been able to make commercial contracts to the full amount of the program owing to measures of wilful discrimination or wilful obstruction on the part of the German Government or its nationals,¹ it may submit a reasoned claim to the arbitral commission, and the commission, after hearing the parties, shall decide, as a matter of equity, taking into account the conditions referred to in par. (ii) above, whether there have in fact been measures of wilful discrimination or wilful obstruction on the part of the German Government or of German suppliers.

(vi.) In the event of the arbitral commission deciding this question in the affirmative, it shall require the German Government to insure the delivery of such quantities as it shall decide, and under such conditions, particularly as regards price, as it shall fix.

(vii.) Any disputes which may arise as to the interpretation of the decisions of the arbitral commission shall be submitted to it for final judgment.

(viii.) Nothing in this clause shall affect in any way the powers of the Transfer Committee as set out in the Experts' Report.

The above procedure will apply to the following products:

(i.) Coal, coke and lignite briquettes.

(ii.) Sulphate of ammonia prepared by synthetic processes and other synthetic nitrogenous products. These last-named products can only be called for simultaneously with synthetic sulphate of ammonia and up to a quantity corresponding to the proportion in which these products are manufactured as compared with sulphate of ammonia in the same period of manufacture.

(iii.) Products referred to in par. 5 of annex VI of Part VIII of the treaty of Versailles (English text) with the exception, as regards chemical products, of specialties manufactured by a single "Concern."

As regards the products falling under (iii), the special provisions of par. (d) will cease to apply on August 15, 1928.

As regards the products falling under (ii) and (iii) above, the special committee provided for in Clause 3 will draw up a more detailed list. For certain among them, it may fix maximum quantities as regards either weight or value; it may also exclude certain of them, if it is shown that they are indispensable for the protection of German national economy.

¹See *Proceedings*, p. 59.

CLAUSE 3¹

The German Government agrees to the appointment of a special committee, not exceeding six members, composed of an equal number of Allied and German representatives, who shall be appointed by the Reparation Commission and the German Government respectively, with the power in the event of difference to coopt an additional member of neutral nationality to be chosen by the Allied and German members in agreement, or in default of agreement to be appointed by the Reparation Commission. This committee will be charged with the duty of

(1.) Determining the procedure for placing orders and the conditions for carrying out deliveries in kind so as to insure the satisfactory working of such deliveries, adhering as closely as possible to ordinary commercial usage.

(2.) Examining the best means of insuring the fulfilment of the undertakings to be given by the German Government in accordance with Clause 2, pars. (c) and (d), of this agreement, in particular by providing for the reference to arbitration of any disagreements which may arise thereon between the interested parties, the decision of the arbitrator or arbitrators being binding on such parties.

(3.) Examining the best means of applying the provisions of the Experts' Report relative to the limitation of deliveries to those which are not of an anti-economic character, and to recommend the measures to be taken against any persons who may infringe the prohibition against re-exportation of deliveries.

The members of the committee may be assisted by such experts as they may consider necessary.

The work of this committee is not in any way to delay the bringing into operation of the Experts' Plan, and its decisions are not to encroach in any way on the powers of the Transfer Committee to be set up under that plan. Its decisions must accordingly before being carried out be approved by the Reparation Commission, and by the Transfer Committee, in so far as the latter is concerned. It is understood that the conclusions of this committee will not be modified without the consent of the German Government.

CLAUSE 4²

If differences of opinion should arise between the Transfer Committee and the German Government on any of the following points relating to the execution of Art. VI of annex 6 of the Experts' Report, viz.:

¹The exchanges with Germany are in *Proceedings*, p. 210, 292, 300.

²This proposal is elaborated from the second report of the Third Committee (*Proceedings*, p. 142, 154). It was adopted August 2 (p. 60).

- (1) the inclusion of any particular class of property in the list,
- (2) any modification in the list,
- (3) the scope of any class so included, or
- (4) the measures to be taken to secure that investments to be purchased by this procedure shall not be of a temporary character,

such difference shall be referred, at the request of either party, to an arbitrator (who, if the German Government so desire, shall be a national of a country not interested in German reparation payments) to be chosen by agreement between the two parties, or in default of agreement to be nominated by the president for the time being of the Permanent Court of International Justice at The Hague. The arbitrator shall decide whether any claim made or objection raised is justified or not, and in so doing shall in particular give consideration to the principles set out in Art. VI, viz.: (1) that the investment must not be of a temporary character, and (2) that the German Government is required to have due regard to the necessity for making maximum payments to its creditors, but is also entitled to have regard to maintaining its control of its own internal economy.

The Allied Governments agree that the Transfer Committee should only transfer marks for purchases under the operation of the said Art. VI if and when the accumulated funds exceed the amounts which the bank of issue will accept as short-term deposits.

CLAUSE 5¹

If the Transfer Committee is equally divided in regard to the question whether concerted financial maneuvers have been set on foot within the meaning of Art. VIII of annex 6 of the Experts' Report, the question shall be referred to an independent and impartial arbitrator, who shall hear the views of each of the members of the committee and decide between them. The arbitrator shall be a financial expert selected by the members of the Transfer Committee in agreement, or, in default of an agreement, by the president for the time being of the Permanent Court of International Justice at The Hague.

On all other questions, if the Transfer Committee is equally divided, the chairman shall have a casting vote.

If the funds at the disposal of the Agent General for Reparation Payments are at any time accumulated in Germany up to the limit of 5 milliards of gold marks referred to in par. (a) of Art. X of annex 6 of the Experts' Report, or such lower figure as may be fixed by the Transfer Committee under par. (b) of that article, and the committee has, by a

¹Elaborated by the Third Committee (*Proceedings*, p. 158). The agreement with the Germans (p. 302) involved the insertion of the second paragraph.

majority, decided that concerted financial maneuvers within the meaning of Art. VIII of that annex have not taken place, or that certain measures to defeat maneuvers contemplated in that article should not be taken, any member of the minority of the committee may, within eight days, appeal against such decision to an arbitral tribunal, whose decision on the matters before them shall be final. The arbitral tribunal shall consist of three independent and impartial financial experts, including a citizen of the United States of America, who shall act as chairman, such experts to be selected by the committee unanimously, or failing unanimity, to be appointed by the president for the time being of the Permanent Court of International Justice at The Hague.

CLAUSE 6¹

If any Government interested (Allied or German) consider that a defect exists in the technical working of the Experts' Plan so far as it relates to the collection of German payments or the control of the securities therefor, which can be remedied without affecting the substantial principles of that plan, it may submit the question to the Reparation Commission, which will transmit it forthwith for inquiry and advice to a committee consisting of the Agent General for Reparation Payments, the Trustee or Trustees for the Railway and Industrial Mortgage Bonds, the Railway Commissioner, the Bank Commissioner and the Commissioner of Controlled Revenues.

This committee will, as soon as possible, transmit to the Reparation Commission either a unanimous report, or majority and minority reports, including, if necessary, proposals for the removal of any defect to which attention may have been drawn.

If the Reparation Commission arrives at a unanimous decision, it shall invite the German Government to adhere to it, and if an agreement is reached with the German Government on the subject, the necessary measures shall be carried into effect without delay.

If the Reparation Commission is not unanimous, or if any decision taken unanimously is not accepted by the German Government, any of the parties interested may submit the question to a committee of three independent and impartial experts chosen by agreement between the Reparation Commission deciding unanimously and the German Government, or, in default of such agreement, by the president for the time being of the Permanent Court of International Justice at The Hague. The decision of this committee shall be final.

It is understood that this provision shall not apply to any question in regard to the disposal of the funds paid to the account of the Agent

¹The preliminary forms are in *Proceedings*, p. 156, 212, 302.

General for Reparation Payments, or to any other matter which falls solely within the competence of the Transfer Committee.

Done at London the 30th day of August, 1924, in a single copy, which will remain deposited in the archives of His Britannic Majesty's Government, which will transmit a certified copy to the Reparation Commission for inclusion in the agreement of August 9, 1924, and to each of the signatory Governments.

BN. MONCHEUR.
 EYRE A. CROWE.
 N. A. BELCOURT.
 JOSEPH COOK.
 J. ALLEN.
 E. H. WALTON.
 DADIBA MERWANJEE DALAL.
 SAINT-AULAIRE.
 D. CACLAMANOS.
 TORRETTA.
 HAYASHI.
 NORTON DE MATTOS.
 RADU T. DJUVARA.
 GAVRILOVITCH.
 STHAMER.

ANNEX III

Agreement between the Allied Governments and Germany¹

The Royal Government of Belgium, the Government of his Britannic Majesty (with the Governments of the Dominion of Canada, the Commonwealth of Australia, the Dominion of New Zealand, the Union of South Africa, and India), the Government of the French Republic, the Government of the Greek Republic, the Royal Government of Italy, the Imperial Government of Japan, the Government of the Portuguese Republic, the Royal Government of Rumania and the Royal Government of the Serb-Croat-Slovene State,

of the one part,

and the Government of the German Republic,

of the other part,

¹The agreement was approved by the Allied Governments on July 24 (*Proceedings*, p. 39, 120, 138). The German observations of August 6 (p. 200), the report thereon (p. 256) and revised plan of August 10 (p. 276) throw light on the points that were in controversy.

Animated with the desire to bring into being as soon as possible as regards matters affecting them, the plan presented to the Reparation Commission on April 9, 1924, by the First Committee of Experts appointed by it on November 30, 1923, "to consider the means of balancing the budget and the measures to be taken to stabilize the currency of Germany," approved by the Commission and accepted by each of the interested powers,

Have resolved to conclude an agreement for this purpose, and, therefore, the undersigned duly authorized have agreed as follows:

ARTICLE 1. (A.) The Experts' Plan of April 9, 1924, will be considered as having been put into execution, except as regards measures to be taken by the Allied Governments, when the Reparation Commission has declared that the measures prescribed by it in its decision No. 2877 (4) of July 15, 1924, have been taken, that is to say:

(1.) That Germany has taken the following measures:

(a.) The voting by the Reichstag in the form approved by the Reparation Commission of the laws necessary to the working of the plan, and their promulgation.

(b.) The installation with a view to their normal working of all the executive and controlling bodies provided for in the plan.

(c.) The definitive constitution, in conformity with the provisions of the respective laws, of the Bank and the German Railway Company.

(d.) The deposit with the trustees of certificates representing the railway bonds and such similar certificates for the industrial debentures as may result from the report of the Organization Committee.

(2.) That contracts have been concluded assuring the subscription of the loan of 800 million gold marks as soon as the plan has been brought into operation and all the conditions contained in the Experts' Report have been fulfilled.

(B.) The fiscal and economic unity of Germany will be considered to have been restored in accordance with the Experts' Plan when the Allied Governments have taken the following measures:

(1.) The removal and cessation of all vetoes imposed since January 11, 1923, on German fiscal and economic legislation; the re-establishment of the German authorities with the full powers which they exercised in the occupied territories before January 11, 1923, as regards the administration of customs and taxes, foreign commerce, woods and forests, railways (under the conditions specified in Art. 5), and, in general, all other branches of economic and fiscal administration; the remaining administrations not mentioned above will operate in every respect in conformity with the Rhineland agreement; the formalities regarding

the admission or re-admission of German officials will be applied in such a manner that the re-establishment of the German authorities, in particular the customs administration, may take place with the least possible delay; all this without other restrictions than those stipulated in the treaty of Versailles, the Rhineland agreement and the Experts' Plan.

(2.) The restoration to their owners of all mines, cokeries and other industrial, agricultural, forest and shipping undertakings exploited under allied management or provisionally leased by the occupying authorities since January 11, 1923.

(3.) The withdrawal of the special organizations established to exploit the pledges and the release of requisitions made for the working of those organizations.

(4.) The removal, subject to the provisions of the Rhineland agreement, of restrictions on the movement of persons, goods and vehicles.

(5.) In general, the Allied Governments, in order to insure in the occupied territories the fiscal and economic unity of Germany, will cause the Interallied Rhineland High Commission to proceed, subject to the provisions of the Rhineland agreement, to an adjustment of the ordinances passed by the said commission since January 11, 1923.

ARTICLE 2. The Experts' Plan will be put into execution with the least possible delay. For this purpose the measures indicated in Art. 1 will be taken as rapidly as possible; in particular, the laws necessary for the working of the plan will be promulgated immediately after they have been voted.

[Arts. 3-5 which prescribe stages of the operation of the plan are printed in Chap. VII, p. 311, *infra*.]

ARTICLE 6. The detailed measures to be applied and the machinery to be set up in order to carry out the provisions of Arts. 1B, 2, 3 and 4 (a) will be studied by technical conferences between the representatives of the interested Allied authorities and the German departments concerned. These conferences will begin at Coblenz and Düsseldorf immediately after the London conference.

The measures to be applied as well as transitional measures shall be put into force in the occupied territories in the customary form.

ARTICLE 7. In order to bring about mutual conciliation and in order to wipe out the past to the utmost possible extent, the Allied Governments and the German Government have agreed on the following stipulations, it being understood that, as regards future incidents, the jurisdiction and legislation of Germany, notably in the matter of the security of the state, and the jurisdiction and the legislation of the occupying authorities, notably in the matter of their security, will respectively follow their

normal course in conformity with the treaty of peace and the Rhineland agreement.

(1.) No one shall, under any pretext, be prosecuted, disturbed or molested or subjected to any injury, whether material or moral, either by reason of acts committed exclusively or principally for political reasons or by reason of his political attitude in the occupied territories from January 11, 1923, up to the putting into force of the present agreement, or by reason of his obedience or disobedience to orders, ordinances, decrees or other injunctions issued by the occupying authorities or the German authorities respectively and relating to events which have taken place within the same period, or by reason of his relations with the said authorities.

(2.) The German Government and the Allied Governments concerned will remit all sentences and penalties, judicial or administrative, imposed for the above facts from January 11, 1923, up to the putting into force of the present agreement.¹ It is understood that fines or other pecuniary penalties, whether judicial or administrative, already paid will not be reimbursed.

(3.) The provisions of pars. (1) and (2) do not apply to crimes committed against the life of persons and resulting in death.

(4.) The offenses to which the amnesty provided for in the stipulations of pars. (1) and (2) does not apply and which are at the present moment subject to the jurisdiction of the occupying authorities by reason of the creation of special organizations which are to be suppressed under the terms of the present agreement, will be transferred to the German tribunals.

(5.) The Governments concerned will each take, so far as they are concerned, the measures necessary to assure the fulfilment of this article. If need arise, this fulfilment will be amicably arranged by the Governments concerned, and if necessary by means of mixed commissions set up by common agreement.

ARTICLE 8. German-Allied commissions of arbitration, similar to those appointed in 1920, charged with the duty of deciding any disputes which the change of régime may give rise to between Allied merchants and the German authorities, shall be set up by the Governments concerned.

ARTICLE 9. The suppression of the Bad-Ems subcommittee² on October 22, 1924, shall not prejudice the full execution of Arts. 264 to 267 of the treaty of Versailles.

¹On September 23, 1924, the Interallied Rhineland High Commission remitted 362 decrees of expulsion for passive resistance. The number of expelled rose to 31,475 (*Le Temps*, September 26, p. 1).

²This organization was set up in March, 1921, to prevent discrimination against allied trade.

ARTICLE 10. All disputes which may arise between the Allied Governments or one of them on the one side and Germany on the other side with regard to the present agreement shall, if they can not be settled by negotiation, be submitted to the Permanent Court of International Justice.

ARTICLE 11. The present agreement, of which the French and English texts are both authentic, shall come into force from the moment of signature.

Done at London the 30th day of August, 1924, in a single copy, which will remain deposited in the archives of His Britannic Majesty's Government, which will transmit certified copies to each of the parties.

BN. MONCHEUR.
EYRE A. CROWE.
N. A. BELCOURT.
JOSEPH COOK.
J. ALLEN.
E. H. WALTON.
DADIBA MERWANJEE DALAL.
SAINT-AULAIRE.
D. CACLAMANOS.
TORRETTA.
HAYASHI.
NORTON DE MATTOS.
RADU T. DJUVARA.
GAVRILOVITCH.
STHAMER.

ANNEX IV

Interallied Agreement

The Royal Government of Belgium, the Government of His Britannic Majesty (with the Governments of the Dominion of Canada, the Commonwealth of Australia, the Dominion of New Zealand, the Union of South Africa, and India), the Government of the French Republic, the Government of the Greek Republic, the Royal Government of Italy, the Imperial Government of Japan, the Government of the Portuguese Republic, the Royal Government of Rumania and the Royal Government of the Serb-Croat-Slovene State,

Anxious to provide for the complete fulfilment, so far as they are concerned, of the plan presented to the Reparation Commission on April 9, 1924, by the First Committee of Experts appointed by it on November

30, 1923, "to consider the means of balancing the budget and the measures to be taken to stabilize the currency of Germany," the said plan being approved by the commission and accepted by each of the interested powers, and

Having resolved to conclude an agreement for this purpose, the undersigned, duly authorized, have agreed as follows:

ARTICLE 1.¹ The Governments represented upon the Reparation Commission acting under par. 22 of annex II to Part VIII (Reparation) of the treaty of Versailles will modify the said annex II² by the introduction of the following pars. 2A and 16A, and by the amendment of paragraph 17 as set out below:

Paragraph 2A.—"When the Reparation Commission is deliberating on any point relating to the report presented on April 9, 1924, to the Reparation Commission by the First Committee of Experts appointed by it on November 30, 1923, a citizen of the United States of America appointed as provided below shall take part in the discussions and shall vote as if he had been appointed in virtue of par. 2 of the present annex.

"The American citizen shall be appointed by unanimous vote of the Reparation Commission within thirty days after the adoption of this amendment.

"In the event of the Reparation Commission not being unanimous, the appointment shall be made by the president for the time being of the Permanent Court of International Justice at The Hague.

"The person appointed shall hold office for five years, and may be reappointed. In the event of any vacancy the same procedure shall apply to the appointment of a successor.

"Provided always that if the United States of America are officially represented by a delegate on the Reparation Commission, any American citizen appointed under the provisions of this paragraph shall cease to hold office and no fresh appointment under these provisions shall be made as long as the United States are so officially represented."

Paragraph 16A.—"In the event of any application that Germany be declared in default in any of the obligations contained either in this part of the present treaty as put into force on January 10, 1920, and subsequently amended in virtue of par. 22 of the present annex, or in the Experts' Plan dated April 9, 1924, it will be the duty of the Reparation Commission to come to a decision thereon. If the decision of the Reparation Commission granting or rejecting such application has been taken

¹Approved by conference on August 2, on report of its first committee. (*Proceedings*, p. 50, 148).

²An agreement between the Governments of Belgium, France, Great Britain, Italy, Japan and the Serb-Croat-Slovene State for this purpose was signed at London, August 30, 1924.

by a majority, any member of the Reparation Commission who has participated in the vote may, within eight days from the date of the said decision, appeal from that decision to an arbitral commission composed of three impartial and independent persons whose decision shall be final. The members of the arbitral commission shall be appointed for five years by the Reparation Commission deciding by a unanimous vote, or, failing unanimity, by the president for the time being of the Permanent Court of International Justice at The Hague. At the end of the five-year period or in case of vacancies arising during such period, the same procedure will be followed as in the case of the first appointments. The president of the arbitral commission shall be a citizen of the United States of America."

Paragraph 17.—"If a default by Germany is established under the foregoing conditions, the commission will forthwith give notice of such default to each of the interested powers and may make such recommendations as to the action to be taken in consequence of such default as it may think necessary."

ARTICLE 2. In accordance with the provisions of the Experts' Plan, sanctions will not be imposed on Germany in pursuance of par. 18 of annex II to Part VIII (Reparation) of the treaty of Versailles unless a default within the meaning of sec. III of Part I of the Report of the said Committee of Experts has been declared under the conditions laid down by the said annex as amended in conformity with this agreement.

In this case the signatory Governments, acting with the consciousness of joint trusteeship for the financial interests of themselves and of the persons who advance money upon the lines of the said plan, will confer at once on the nature of the sanctions to be applied and on the method of their rapid and effective application.

ARTICLE 3. In order to secure the service of the loan of 800 million gold marks contemplated by the Experts' Plan, and in order to facilitate the issue of that loan to the public, the signatory Governments hereby declare that, in case sanctions have to be imposed in consequence of a default by Germany, they will safeguard any specific securities which may be pledged to the service of the loan.

The signatory Governments further declare that they consider the service of the loan as entitled to absolute priority as regards any resources of Germany so far as such resources may have been subjected to a general charge in favor of the said loan and also as regards any resources that may arise as a result of the imposition of sanctions.

ARTICLE 4. Any dispute between the signatory Governments arising out of Arts. 2 or 3 of the present agreement shall, if it can not be settled by negotiation, be submitted to the Permanent Court of International Justice.

ARTICLE 5. Unless otherwise expressly stipulated in the preceding articles of this agreement, all the existing rights of the signatory Governments under the treaty of Versailles read with the Report of the Experts referred to in Art. 2 are reserved.

ARTICLE 6. The present agreement, of which the French and English texts are both authentic, shall come into force from the moment of signature.

Done at London the 30th day of August, 1924, in a single copy, which will remain deposited in the archives of His Britannic Majesty's Government, which will transmit certified copies to each of the parties.

BN. MONCHEUR.
EYRE A. CROWE.
N. A. BELCOURT.
JOSEPH COOK.
J. ALLEN.
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TORRETTA.
HAYASHI.
NORTON DE MATTOS.
RADU T. DJUVARA.
GAVRILOVITCH.

III. THE PARIS FINANCIAL AGREEMENT

During the London conference, the French delegation on August 2 proposed a resolution, couched in the following terms:

The questions of allocation concerning the payments received from Germany since the beginning of the year 1923 remain to be settled between the Allied Governments. The latter must also come to an agreement about the allocation of the sums which will be received from Germany after the application of the Experts' Plan.

The solution of these questions falls to the Allied Governments in accordance with the provisions of Art. 237 of the peace treaty.

On account of the technical nature of the arrangements to be made, it is proposed that the finance ministers of the Allied Governments should meet at Paris with the least possible delay after the close of the London conference.

The following draft resolution is therefore submitted for acceptance by the conference:

"The Allied Governments decide that a conference of finance ministers shall be held in Paris immediately after the close of the London conference—

"1. To settle the question of the allocation of the payments received from Germany since January 1, 1923, including the net proceeds realized by France, Belgium and Italy since January 11, 1923, and also the question of the allocation of German payments as from the date when the Agent General for Reparation Payments takes up his duties, and during the first years of the operation of the Dawes Plan.

"2. To proceed to the adjustments contemplated in Art. 1 of the finance ministers' agreement of March 11, 1922, for the years 1922 and 1923. The result of its labors on this point will be communicated by the finance ministers' conference to the Reparation Commission for the drawing up of the corresponding accounts."

On August 5, Ambassador Kellogg addressed the following letter to the secretary general of the conference:

I have received the resolutions proposed by the French delegation in their letter of August 2, 1924, for adoption by the interallied conference. . . .

The American delegation is in accord with the proposal of the French delegation that a conference be held in Paris immediately after the close of the London conference for the purpose of considering the allocation of payments received from Germany.

Nevertheless, in view of the fact that the purpose of this conference will include the question of the allocation of German payments since January 1, 1923, a period to which the pending unratified agreement with regard to the reimbursement of the costs of the American army of occupation is applicable, and will also include the question of the allocation of German payments during the first years of the operation of the Dawes Plan, the United States, as the only associated power, should be represented. It will be remembered that under Section XI, Part I, of the Dawes Plan the payments made by Germany are to comprise all amounts for which Germany may be liable to the Allied and *Associated Powers* for the costs arising out of the war, including reparation, restitution, clearing-house operations, etc. Section XI further provides

"Wherever in any part of this report or its annexes we refer to treaty payments, reparation, amounts payable to the Allies, etc., we use these terms to include all charges payable by Germany to the Allied and Associated Powers for these war costs."

Considering the claim of the United States for its army costs and for certain war damages which are now being adjudicated by a joint arbitration tribunal, the United States, under the terms of the Experts' Report, is interested in the question of distribution, and it should participate in the proposed Paris conference.

This is in harmony with the report of the second committee approved by the plenary conference on July 28, 1924, which provides (in article 4, sub-division (c)) that

"with the resources thus placed at his disposal the Agent General for Reparation Payments shall provide for the payments of reparation and other treaty charges during the transition period in accordance with the decisions as to distribution which will be taken by the Allied and Associated Governments."

Very respectfully,

FRANK B. KELLOGG.

In the plenary meeting of August 12, a long and involved debate occurred upon the French proposal and the American letter. The documents were before the meeting for reference to the finance ministers, who were at the conference. Mr. Kellogg proposed that his suggested amendment be made to the French

resolution at that time, and insisted upon his point at great length, notwithstanding the president's repeated explanation that the French proposal was before the meeting for reference rather than for action. In the end, the resolution seems to have been re-worded by the French delegation to conform with the American desire.¹

The conference of finance ministers did not meet until January 7, 1925. In the interval, there were several attempts to bring matters into a position where the meeting would prove fruitful. A committee of experts began exploring the questions involved in October, and finally made a report dated January 6. The questions covered by the report were not only technical but for the most part were also of a temporary character. The eventual settlement is sufficiently indicated in the text of the agreement signed by the conference of finance ministers at Paris on January 14.

THE SCOPE OF AMERICAN INTERESTS

The American Government was officially represented both in the committee of experts and in the conference. The proceedings of both seem to have been without incident, with the exception of the American attitude.

The basis of the American interest in the settlement should be clearly understood.

The United States maintained troops in the occupied regions of Germany based on Coblenz from the time of the armistice up to January 24, 1923. Throughout that period, the United States Government contemplated that the cost of maintaining the troops should be reimbursed to it, but had not accepted payments other than requisitions under the Rhineland agreement of June 28, 1919,² to which it was not a party. The treaty of Versailles provided that the costs of the armies of occupation should be a first charge upon reparation, and payments were made to other occupying states through the Reparation Commission, which simply kept a record of the American costs³.

¹*Proceedings*, p. 77-81.

²Great Britain Treaty Series No. 7 (1919) and Sen. Doc. No. 81, 66th Cong., 1st sess.

³For comparison, the cost of the armies of occupation as kept by the Reparation

Following the withdrawal of the American troops, Eliot Wadsworth, assistant secretary of the Treasury, proceeded to Europe, and on May 25, 1923, negotiated an arrangement with Belgium, France and Great Britain providing for the reimbursement of the American army costs, by a charge on receipts credited to reparation account. The amount involved—\$250,544,810.53—was to be paid in 12 equal instalments.

The United States did not ratify the treaty of peace with Germany of June 28, 1919. It negotiated with Germany on August 25, 1921, a treaty restoring friendly relations, by the terms of which the United States acquired "all the rights, privileges, indemnities, reparations or advantages specified in" the Congressional resolution of July 2, 1921, which would include "all the rights and advantages stipulated for the benefit of the United States in the treaty of Versailles." By Art. 2 of that treaty, it was specified that among the rights and advantages accruing to the United States should be those under Parts VIII, IX and X of the treaty of Versailles, relating respectively to reparation, financial and economic matters. Among the economic matters specified are the adjustment of the claims of nationals arising from property rights, interests, contracts, prescriptions and judgments.¹

Commission for the period from the armistice of November 11, 1918, to April 30, 1921, follow:

		<i>Gold Marks</i>
United States	\$278,067,610	1,167,327,830.12
France	2,304,850,470 francs Fr.	1,276,450,838.42
Great Britain	£52,881,298	991,016,859.53
Belgium	378,731,390 francs Belg.	194,706,228.27
Italy	15,207,717 francs Fr.	10,064,861.29
Total		3,639,566,617.63

Of this amount 3,161,000,000 gold marks was due from Germany on reparation account, the rest being requisitions made locally. The net American claim was \$240,744,511 on April 30, 1921.

The area west of the Rhine and including the bridgehead of Cologne is occupied by British troops, who up to April 30, 1921, had given 75,960,986 days of service, and by the Belgians, who had served 22,977,565 days, or a total for the Cologne sector of 98,938,551 days. The middle sector bounded by the bridgehead of Coblenz on the east was occupied by American troops, who had served 60,633,336 days. The Mainz sector was occupied by the French who showed 150,874,637 days of service. With the French were Italians who had rendered 692,281 days of service. (*Le Temps*, October 7, 1921; cf. January 11 and September 19, 1921.)

¹The United States had, in the course of the war, sequestrated property, almost entirely of German nationals, amounting on December 31, 1923, to \$545,228,160.84. (H. Doc. No. 525, 67th Cong., 4th sess., p. 8.)

Secretary of State Hughes explained the character of this second American interest in the settlement in a letter to the President on February 3, 1925, as follows:¹

The other claims which the United States is seeking to recover are the subject of an executive agreement with the German Government under date of August 10, 1922, providing for a mixed commission to determine the amount to be paid by Germany. This commission consists of an American commissioner, a German commissioner, and an umpire who, by agreement of the Governments of the United States and Germany, is an American citizen. Under the agreement establishing the mixed commission it is provided that the following categories of claims shall be passed upon, to wit:

1.—Claims of American citizens arising since July 31, 1914, in respect of damage to, or seizure of, their property, rights and interests, including any company or association in which they are interested within German territory as it existed on August 1, 1914;

2.—Other claims for loss or damage to which the United States or its nationals have been subjected with respect to injuries to persons, or to property, rights and interests, including any company or association in which American nationals are interested, since July 31, 1914, as a consequence of the war;

3.—Debts owing to American citizens by the German Government or by German nationals.

This mixed commission has been sitting in Washington, and the claims of the Government of the United States and its nationals against Germany are in course of adjudication. While it is not possible at this time to fix precisely the total amount of the awards, it is estimated that they will not exceed \$350,000,000.

By the Experts' Plan, the German payments comprise all amounts for which Germany may be liable. As a result of the acceptance of the report by the reparation creditors and the acquiescence of the United States in Ambassador Kellogg's note of August 5, 1924, payment of claims against Germany can take place only through the system established by the plan. It consequently followed that the United States had to look to the operation of the plan for the reimbursement of its army of occupation costs and its claims awards.

¹Sen. Doc. No. 192, 68th Cong., 2nd sess., p. 3.

SPECIFIC AMERICAN CONTENTIONS

It, therefore, became necessary for the United States to participate in the conference of finance ministers at Paris. The bulk of the business transacted by that conference did not, under the circumstances, concern the United States, except as the decisions taken might affect both the possibility and the certainty of the Washington Government's recovering its claims. The American expert raised a number of specific questions with his colleagues.

The army cost agreement of May 25, 1923, had not been ratified by France, although Belgium had deposited a sum of 62,500,000 gold marks with the Federal Reserve Bank in New York to that account. The failure of France to ratify the agreement served to block the account, and the American expert secured the release of the Belgian payment to the United States Treasury (Art. 3 B, 1).

When possible arrears of cash payments for army of occupation costs were under discussion, the American expert reserved the right to object to the arrears being recouped from reparation, at least in kind, "until the question of the principle of American claims is settled in a satisfactory manner."¹ The objection was not maintained (*cf.* Art. 15).

The representative of the United States insisted that the conference reach a decision on the division of as large a number of plan annuities as possible, "with a view to introducing an element of stability." He declared that "this remark applies particularly to the percentage coming to the United States."

Respecting commission expenses, the American Government "hoped that the expenses of the various commissions will be reduced to a minimum, so that the largest possible sums will be available for the settlement of military expenses and claims of the Allied and Associated Powers."

The United States did not like the decision taken to liquidate the Belgian war debt by means of only 5% of the sum remaining from annuities after meeting the expenses of the loan commissions and the armies of occupation costs (Art. 4). This provision results from Art. 232 of the treaty of Versailles, where it was decided that owing to the German invasion of Belgium, Belgium's

¹*L'Europe nouvelle*, January 24, 1925, p. 117.

external war debt should constitute a prior charge on German reparation payments. The Belgian debt, thus to be repaid, consists of 1,993,300,000 French francs gold, £78,400,000 and \$171,800,000. The dollar amount is about one-half of Belgium's total indebtedness to the United States. It was decided to fix the Belgian priority at 5% of the amount available immediately before the final amount distributable as reparation. Of this 5% the United States will receive practically one-eighth. The American expert felt that this percentage "does not correspond to the sums advanced by the United States." He desired to study the question further, and meantime filed a reservation,¹ although the agreement as signed did not modify the decision.

VALIDITY OF CLAIMS DISCUSSED

Arts. 296 and 297 of the treaty of Versailles provide for the liquidation of debts of the nationals of either side due to the nationals of the other. For handling these mutual claims a series of clearing offices was instituted, while for matters involving questions of law a system of mixed arbitral tribunals was set up. The clearing offices have been functioning for more than five years, and have settled the majority of the claims. It was found that the value of Germany's claims did not offset that of the claims of the creditor states. At one stage of reparation, Germany was consequently making special monthly payments to balance the clearing office accounts. The United States did not avail itself of the clearing office system, and its claims of that character have not therefore been cleared. The Belgian, British, French and Italian experts were agreed, as a general rule, not to make clearing office deficits a charge against the annuities. The American expert stated that if it was not the opinion of his colleagues that their decision left "the special position of the United States as to the settlement of American claims dealt with in the economic clauses of the treaty [of Versailles] unaffected, he would be obliged to express the most formal reserve." He stated that "the United States had not up to the present time received a single cent of its claims of this character, while it was well known that Germany had paid to certain of the Allies a

¹*L'Europe nouvelle*, January 24, 1925, p. 121.

quantity of millions of gold marks, in settlement of certain types of claims based on the economic clauses." Referring to the optional character of the Versailles treaty provisions, he stated that

it is only in cases of the sequestration of properties or of their sale by an allied or associated power that the amount of the sale or the value of these properties comes into the balance of its claims. The Government of the United States enjoys in regard to German goods the same liberty as the allied powers. The utilization of the goods in question is subject to the absolute control of the Congress of the United States; but in so far as it preserves those rights or the product of their sale, the United States will naturally give to Germany a credit corresponding to their claims.

The British expert commented that "the powers not adopting the procedure of the clearing offices had not the right, according to the treaty of Versailles, to claim any payment from the German Government on account of these claims." The United States had no basis for making such a claim.

The American expert disagreed with this interpretation of the treaty of Versailles. He asserted "the right of the American Government to hold Germany liable, since the payment of these debts had also been recognized by the treaty between Germany and the United States."¹

In regard to the American military claims, the French and Belgian experts had on November 26 accepted the principle of their priority on the cash payments anticipated from the annuities. They had also accepted the proposition that the other claims should be paid on a percentage, to be applied after deduction of the annuities already accepted, on condition that the annual payments under the Wadsworth agreement should be reduced. The Italian experts expressed somewhat the same opinion in very general terms.

In the January meeting, the British experts felt that the American army costs should be paid under the Wadsworth agreement, and stated that they were disposed to examine the figures of other American claims when presented.

The American expert replied that, "seeing that the principle of American claims was not accepted by all members of the

¹For decision reached, see Art. 10 of the agreement, p. 284.

committee and that the settlement of all details contemplated in the present report practically affects the methods of division under the Experts' Plan with regard to the time of priorities and percentages, and consequently affects all sums available to satisfy the American claims, the American expert formally reserves his point of view on all the questions raised in this report and its appendices."¹

The British experts were unable to accept these allegations as well as certain other reservations made by the American expert in other parts of the report. "In their opinion the Government of the United States was not justified in intervening in any of the arrangements made or to be made by the Allied Governments with respect to division of German payments obtained by them, except in the case and to the extent that the rights granted to the United States by the Allied Governments in the agreement of May 25, 1923, . . . are directly affected by such divisions. As regards the claims formulated by the United States on other grounds, the British experts desired to call attention to the fact that since the first meeting of the committee on October 27 last, the United States has several times been requested to present a detailed schedule of these claims in order that the allied experts could examine them, but this request has not been acceded to. As a result of this refusal, the financial consequences which might result from these claims have not been examined in detail by the committee."

The American expert drew attention to the fact that he had formally raised the question of the participation of the United States in the plan annuities on November 26. At that time the French, Belgian and Italian experts had agreed with the American expert on the principle of the equity of an American participation. Neither at that time nor later had the British experts accepted this principle since the question was being discussed diplomatically by the two interested Governments. As a consequence it was evidently impossible to discuss figures and details before the committee, and these had been left for discussion at the next meeting of the finance ministers.²

¹*L'Europe nouvelle*, January 24, 1925, p. 124.

²For the decision reached, see Art. 3 of the agreement, p. 279.

SOUGHT SHARE OF BULGARIAN PAYMENTS

When the experts came to discuss the division of Bulgaria's payments,¹ the American expert commented that "the United States had requested under the Wadsworth agreement to participate in any cash payments made by Austria, Hungary, Bulgaria or other states which had been brought to the credit of Germany under the reparation account." He declared that the United States maintained its position on this point while awaiting the result of the negotiations at present under way. This view was rejected by certain of the allied experts who felt that "the privilege of the United States applied only to the payments made by Germany or directly for her account (for example, the Luxemburg payments). If the American thesis were adopted, 25% of the 1923 receipts (or 500,000 gold marks) should be turned over to the Government of the United States."

The contention was not finally accepted.²

The American expert filed a general caveat against the charging of the miscellaneous Versailles treaty items of Art. 8 of the finance agreement against the annuities on the ground that "the United States is directly interested in the division of annuities."

A similar attitude was taken on the matter of the general Belgian priority, which, however, the United States regarded with sympathy.

The finance agreement of January 14, resulting from the conference of finance ministers to which the experts reported, was signed by the United States. It was reported at the time of signature that the American delegates desired to confine their signature to Art. 3 dealing with the American claims. Since the priorities and adjustments dealt with throughout the agreement were necessarily interrelated, this was not insisted upon.

The agreement was submitted to the United States Senate on February 3 in response to a resolution calling for its text. The Senate apparently acquiesced in the contention of the Depart-

¹The United States was not at war with Bulgaria. On the joint liability of debtor states in respect to reparation, see Art. 231 of the treaty of Versailles and the corresponding articles in other treaties of peace. For a discussion of joint liability see *Reparation*, Pt. I, p. 17-21.

²See Art. 23 of the agreement, p. 289.

ment of State that it was an executive understanding not requiring senatorial advice and consent.

The agreement settled in detail a great number of questions which had bothered the Reparation Commission, the creditor and debtor states. As these questions were invariably technical, the following text has been annotated with the facts appropriate for understanding the matters with which the several articles deal.

AGREEMENT REGARDING THE DISTRIBUTION OF THE
DAWES ANNUITIES (January 14th, 1925)¹

FINAL PROTOCOL

The representatives of the Governments of Belgium, France, Great Britain, the United States of America, Italy, Japan, Brazil, Greece, Poland, Portugal, Rumania, Serb-Croat-Slovene State, Czechoslovakia, assembled at Paris from the 7th to the 14th January, 1925, with a view to settling as between their respective Governments questions which arise out of the distribution of the receipts already entered, or to be entered, in the accounts of the Reparation Commission, in particular after the 1st January, 1923, to 1st September, 1924, and also in the first years of the application of the Dawes Plan² which formed the subject of the agreements concluded in London, August 31, 1924,

Have agreed on the provisions contained in the agreement of today's date, of which a copy is attached to the present protocol.

Done at Paris, January 14, 1925.

CLÉMENTEL.
G. THEUNIS.
WINSTON S. CHURCHILL.
MYRON T. HERRICK.
FRANK B. KELLOGG.
JAMES A. LOGAN, Jr.
ALBERTO DE' STEFANI.
K. ISHII.
L. M. DE SOUZA DANTAS.
EM. J. TSOUDEROS.
J. MROZOWSKI.
J. KARSNICKI.
ANTONIO DA FONSECA.
VINTILA BRATIANO.
N. TITULESCU.
STOYADINOVITCH.
STEFAN OSUSKY.

¹The agreement issued as Sen. Doc. No. 192, 68th Cong., 2d sess., has attached to it a protocol signed at Paris, January 22, making "amendments in the authentic text" in the form of a list of errata. This protocol is not printed in Misc. No. 4 (1925), Cmd. 2339, where the British Foreign Office carries a note that the text "now issued is the final text." As certain of the changes were the subject of remarks in the United States Senate, the text here printed is the final one, to which the previous readings have been annotated.

²Original text read "Experts Plan."

AGREEMENT

The Governments of Belgium, France, Great Britain, Italy, Japan, the United States of America, Brazil, Greece, Poland, Portugal, Rumania, the Serb-Croat-Slovene State and Czechoslovakia, respectively represented by the undersigned, have agreed as follows:

CHAPTER I.—ALLOCATION OF THE DAWES ANNUITIES

Article 1—Costs of the Commissions

A) The maximum normal charge on the Dawes annuities of the Reparation Commission, including the organizations set up under the Dawes Plan, shall be:

For the year from September 1, 1924, 9,250,000 gold marks;

For the later years, 7,500,000 gold marks

(to be taken partly in foreign currencies or in German currency as required).¹

Of these sums not more than 3,700,000 gold marks a year shall be attributable to the organizations set up under the Dawes plan. If necessary this may be increased in order to meet the costs of the arbitral bodies provided for by the Dawes Plan and the London protocol.

B) The maximum charge for the Interallied Rhineland High Commission (including deliveries under Articles 8-12 of the Rhineland agreement) shall not exceed 10,000,000 gold marks² (to be taken in foreign currencies or in German currency as required) for the year from September 1, 1924, this sum being allocated between the French, British and Belgian High Commissariats in the proportion of 62:16:22, after providing for the other expenses of the commission. The amount for any later year will be settled at a later date.

C) The charge of the Military Commission of Control shall not exceed a maximum of 8,000,000 gold marks (to be taken in German currency) in the year from September 1, 1924. The amount of any later year will be settled at a later date.³ This figure does not include the commis-

¹The expenses of the Reparation Commission before the application of the Experts' Plan averaged 650,000 gold marks per month. In October, 1924, the expenses were reduced to 450,000 gold marks monthly, while the organizations under the Experts' Plan were assigned a quota of 250,000 gold marks per month.

²The annual expenses, as reported by the financial experts on January 6, 1925, were in gold marks: Cash: Belgium, 1,200,000; France, 4,200,000; Great Britain, 1,320,000—total, 6,720,000; kind (interallied valuation), Belgium, 681,000; France, 2,710,000; Great Britain, 488,000; common services, 250,000—total, 4,129,000; general total, 10,849,000.

³The commission reported that its expenses in 1924 were 1,000,000 gold marks per month, but its requirements were "probably shortly going to be reduced to 50% and finally again to 25% of the first figure."

sion's expenses in national currencies, which shall continue to be paid by the Governments concerned, the amounts so paid being credited to their respective accounts by the Reparation Commission.

Article 2—Costs of Armies of Occupation, 1924–25

A) The sums to be allowed as a prior charge on payments by Germany during the year September 1, 1924, to August 31, 1925, in respect of the costs of the armies of occupation of Belgium, Great Britain and France shall be fixed at the following amounts:

	Gold marks
Belgian Army	25,000,000
British Army	25,000,000
French Army	110,000,000

B) Belgium, Great Britain and France will meet their additional army costs during the period mentioned out of their respective shares in German reparation payments, but shall not be debited on reparation account therewith; that is to say, their respective reparation arrears will be increased by corresponding sums.

C) The additional army costs¹ shall be calculated as follows. Each power will be entitled to receive:

1. The sums payable under the finance ministers' agreement of March 11, 1922, calculated in the case of Great Britain on the basis of the French capitation rate with a special allowance of 2 gold marks a man, converted into sterling on the basis of the mean rates of exchange of the respective currencies during the month of December, 1921. The value of German marks supplied to the armies of occupation and the value of any requisitions under Art. 6 of the Rhineland agreement shall, as heretofore, be included in these sums; and,

2. The value of the requisitions and services under Arts. 8–12 of the Rhineland agreement,² which are credited to Germany in the accounts of the Agent General for Reparations.

¹The amounts fixed by the agreement of March 11, 1922, Art. 1, (1), were: 102,000,000 Belgian francs, £2,000,000 and 460,000,000 French francs. In the same connection should be noted the declaration by the Governments of the United States, Great Britain and France of June 16, 1919:

"Now and henceforward, in order to alleviate the burden of the Reparations Bill, they agree that as soon as the Allied and Associated Powers concerned are convinced that the conditions of disarmament by Germany are being satisfactorily fulfilled, the annual amount of the sums to be paid by Germany to cover the cost of occupation shall not exceed 240 million marks (gold). This provision can be modified if the Allied and Associated Powers agree as to the necessity of such modification." (*Parl. Pap.*, 1919, Cmd. 240.)

²The articles define the extent and character of the control. (See Great Britain, Treaty Series No. 7 (1919) and Sen. Doc. No. 81, 66th Cong., 1st sess.)

For each power the additional army costs shall be the difference between the total sum so calculated and the amount of the prior charge set out in paragraph A above.

D) It is agreed that the powers concerned in the occupation shall not charge for effectives in excess of the strength authorized for each,¹ respectively, by Art. 1 (2) and (3) of the agreement of March 11, 1922.

E) The provisions of this article for the year to August 31, 1925, are accepted without prejudice to any question of principle, and the Allied Governments and the Government of the United States of America will discuss before September 1, 1925, the arrangement for army costs in the future.

Article 3—Share of the United States of America in the Dawes Annuities

A) Out of the amount received from Germany on account of the Dawes annuities, there shall be paid to the United States of America the following sums in reimbursement of the costs of the United States army of occupation and for the purpose of satisfying the awards of the Mixed Claims Commission established in pursuance of the agreement between the United States and Germany of August 10, 1922.

1. Fifty-five million gold marks per annum beginning September 1, 1926, and continuing until the principal sums outstanding on account of the costs of the United States army of occupation, as already reported to the Reparation Commission, shall be extinguished. These annual payments constitute a first charge on cash made available for transfer by the Transfer Committee out of the Dawes annuities, after the provision of the sums necessary for the service of the 800,000,000 gold marks German external loan, 1924, and for the costs of the Reparation Commission, the organizations established pursuant to the Dawes Plan, the Interallied Rhineland High Commission, the Military Control Commissions, and the payment to the Danube Commission provided for in Art. 9 below, and for any other prior charges which may hereafter with the assent of the United States of America be admitted. If in any year the total sum of 55,000,000 gold marks be not transferred to the United States of America the arrears shall be carried forward to the next succeeding annual installment payable to the United States of America, which shall be *pro tanto* increased. Arrears shall be cumulative and shall bear simple interest at $4\frac{1}{2}\%$ from the end of the year in which said arrears accumulated until they are satisfied.

2. Two and one-fourth per cent ($2\frac{1}{4}\%$) of all receipts from Germany on account of the Dawes annuities available for distribution as

¹The strengths authorized are: Belgian army, 19,300; British army, 15,000; French army, 90,400.

reparations,¹ provided that the annuity resulting from this percentage shall not in any year exceed the sum of 45,000,000 gold marks.

B) Subject to the provisions of paragraph A above, the United States of America agree:

1. To waive any claims under the army cost agreement of May 25, 1923, on cash receipts obtained since January 1, 1923, beyond the sum of \$14,725,154.04, now deposited by Belgium to the account of the Treasury of the United States² in a blocked account in the Federal Reserve Bank of New York, which sum shall forthwith be released to the United States Treasury.³

2. That the agreement of May 25, 1923, does not apply to payments on account of reparations by any ex-enemy powers other than Germany.

3. That the agreement of May 25, 1923, is deemed to be superseded by the present agreement.

C) The provisions of this agreement relating to the admission against the Dawes annuities of charges other than reparations, and the allotments provided for such charges, shall not be modified by the Allied Governments so as to reduce the sums to be distributed as reparations, save in agreement with the United States of America.

D) The United States of America is recognized as having an interest, proportionate to its $2\frac{1}{4}\%$ interest in the part of the annuities available for reparation, in any distribution of railway bonds, industrial debentures,⁴ or other bonds issued under the Dawes Plan,⁵ or in the proceeds of any sale of undistributed bonds or debentures, and as having the right also to share in any distribution or in the proceeds of any sale of such bonds or debentures for any arrears that may be due to it in respect of the payment of its army costs as provided in the present agreement. The United States of America is also recognized as having an interest in any other disposition that may be made of the bonds if not sold or distributed.

Article 4—Belgian War Debt

A) As from September 1, 1924, 5% of the total sum available in any year after meeting the charges for the service of the German external loan, 1924, and the charges for costs of commissions, costs of U. S. army

¹The phrase "after deduction of the sums allotted for other treaty charges by this agreement" was omitted from the final text as tautologous. It may, however, be noted that, if the charges due to valid claims under the treaty of Versailles were deducted before applying the percentage, the amount received by the United States would be purely illusory.

²"The account of the" originally omitted.

³The amount was 62,500,000 gold marks. The account was blocked owing to the fact that France had not ratified the agreement under which it was paid.

⁴For details respecting the bonds, see *Reparation*, Pt. V, p. 380-84, 461, 466.

⁵Originally read "Experts Plan."

of occupation, annuity for arrears of pre-May 1 army costs, prior charge for current army costs, and any other prior charges which may hereafter be agreed, shall be applied to the reimbursement of the Belgian war debt¹ as defined in the last paragraph of Art. 232 of the treaty of Versailles.

B) The amounts so applied in any year shall be distributed between the powers concerned in proportion to the amount of the debts due to them respectively as at May 1, 1921. Pending the final settlement of the accounts, France shall receive 46%, Great Britain 42% and Belgium (by reason of her debt to U. S. A.) 12%.²

Article 5—Restitution³

A) There shall be applied to the satisfaction of claims for restitution:

a) During the first four years, 1% of the total sum available in any one year after meeting the charges for the service of the German external loan, 1924, and the charges for cost of commissions; costs of U. S. army of occupation, annuity for arrears of pre-May 1, 1921, army costs; prior charge for current army costs; any other prior charge which may hereafter be agreed.

b) During subsequent years, 1% of the balance of the first milliard after meeting the charges enumerated above and 2% of the surplus of the annuity.

B) The amount so applied shall be distributed between the powers having a claim for restitution proportionately to their respective claims under this head as accepted by the Reparation Commission.

C) The French and Italian Governments reserve their rights to claim restitution of certain objects of art by the application of Art. 238 of the treaty of Versailles. The other Allied Governments will support their efforts to secure the execution by Germany of such restitution. Nevertheless, if the fulfillment of this obligation involves a charge on

¹The debt amounted nominally at the time of the agreement to about 5,600,000,000 gold marks.

²It will be noted that the United States will receive its quota directly from Belgium. The American expert expressed the opinion that the percentage accorded the United States was too small. The American claim against Belgium on this account is \$171,800,000.

³It should be recalled that the treaty of Versailles, which provided for the restoration of things taken away by the Germans, did not work satisfactorily. Agreements to accept substitutes for the things actually removed from the allied states were negotiated in 1921, the values not to be credited in reparation account. Since the Experts' Plan covers all German payments, charging of the cost of restitution under it became necessary. Considering the amount of restitution effected (*Reparation*, Pt. I, p. 41 *ff.*), this article should shortly prove of academic interest only.

the Dawes annuities, the value will be charged against the share in the annuity of the power interested.¹

Article 6—Belgian Priority²

A) It is agreed that the determination of the exact position as regards the satisfaction of the Belgian priority depends on the settlement of the distribution account which the Reparation Commission has been requested to draw up.

B) Out of the part of the annuities received from Germany and available for distribution as reparations among the allied powers after September 1, 1924, Belgium will receive:

a) During the year commencing September 1, 1924, 8%.

b) During the year commencing September 1, 1925, so long as Belgian priority is not extinguished, 8% of each monthly payment. As soon as the priority is extinguished the percentage of all further payments during the year in question will be reduced to 4.5%.

c) During the year commencing September 1, 1925, and during each succeeding year, 4.5%.

This reduction in percentage is accepted as fully discharging Belgium from her obligations to repay her priority.

C) As from the date at which Belgian priority is extinguished, or at the latest from September 1, 1926, the 3½% released by the above arrangements for the repayment of the Belgian priority will be payable to France and Great Britain in the proportion of 52:22, in addition to their Spa percentages.

The sums debited to Belgium in respect of the period to September 1, 1924, will not be regarded as creating for her either excess payments or arrears, provided that this shall be without prejudice to the liability of Belgium to account for any final balance under the economic clauses of the treaty.

D) The rights accruing to Belgium as a result of previous agreements on payments received or to be received from or on account of Austria, Hungary and Bulgaria remain unaltered.

Article 7—Greek and Rumanian Reparation Percentages

A) The percentage of reparation payments available for distribution between the allied powers to be allotted to Greece is fixed at 0.4% of payments by Germany and of the first half of payments by Austria, Hungary and Bulgaria, and 25% of the second half of payments by Austria, Hungary and Bulgaria.³

¹"France has a right to about 72% of restitution."—Note to French text.

²On the priority see *Reparation*, Pt. II, p. 111.

³This confirms an acceptance of the percentages contained in a letter of M. Athenogenes to Sir John Bradbury, June 29, 1921.

B) The percentage of reparation payments available for distribution between the allied powers to be allotted to Rumania is fixed at 1.1% of payments made by Germany and of the first half of payments by Austria, Hungary and Bulgaria, and 20% of the second half of payments made by Austria, Hungary and Bulgaria.¹

Article 8—Miscellaneous Claims

A) The following claims, namely:

a) Cost of military occupation of the plebiscite zones (annex to Art. 88 of treaty).²

b) Costs of repatriation of German prisoners of war (Art. 217 of the treaty).³

c) Repayment of exceptional war expenses advanced by Alsace-Lorraine during the war, or by public bodies in Alsace-Lorraine, on account of the empire (Art. 58 of the treaty).⁴

d) Payment of certain indemnities in the Cameroons and French equatorial Africa (Arts. 124 and 125 of the treaty) shall be submitted for valuation to the Reparation Commission, which shall be at liberty to use for this purpose all the means at its disposal, including reference to arbitration as proposed in Art. 11 below).⁵

The amounts of these claims, when established, shall be credited to the interested powers in their reparation accounts as of September 1, 1924, and the credits treated as arrears at that date in accordance with the provisions of Art. 19 below.

B) The following claims would appear to be payable apart from and in addition to the Dawes annuities, namely,

a) The costs of the civil and military pensions in Alsace-Lorraine earned at the date of the armistice (Art. 62 of the treaty).

b) The transfer of the reserves of social insurance funds in Alsace-Lorraine (Art. 77 of the treaty).

Should, however, the German Government succeed in establishing that these claims must be met out of the Dawes annuities, the Allied Governments will concert together as to the manner in which they should be dealt with.

¹The Rumanian Government at London on August 2, 1924, again objected to accepting these percentages which had been determined at Spa in July, 1920. The Experts in their report of January 6, 1925, say that "there no longer exists any legitimate reason to regard the percentages offered to Rumania as inadequate."

²The credits claimed are: France, 17,100,000 gold marks; Great Britain, 7,200,000 gold marks; Italy, 6,200,000 gold marks.

³The credits claimed are: Great Britain, £1,310,000; Belgium, 2,037,199 francs; Italy, 129,000 lire; France, 11,000 francs.

⁴Under the Baden-Baden convention the amount claimed is 108,000,000 francs.

⁵The amount claimed is 2,000,000 francs.

Article 9—Compensation due to the European Commission of the Danube

There shall be paid forthwith to the European Commission of the Danube, out of the annuities, the sum of 286,800 gold francs, being the amount agreed to be due from Germany to the commission in respect of compensation for damages.

Article 10—Clearing Office Balances

No special charge shall be admitted against the Dawes annuities in respect of the clearing offices balances of pre-war debts or other claims under the economic clauses of the treaty, unless it is shown that any allied power claiming the benefit of such charge has a net credit balance due for payment, after applying, to meet its claims under the economic clauses, the German properties and other assets which it has the power to liquidate under the same articles. No provision shall be made for such net credit balances during the first four years of the Dawes Plan.

CHAPTER II.—SETTLEMENT OF PAST ACCOUNTS

Article 11—Distribution Accounts; Provision as to Arbitration

The Allied Governments request the Reparation Commission to draw up as soon as possible definite distribution accounts as at September 1, 1924.

They will give authority to their respective delegates on the Reparation Commission to submit to arbitration all questions of fact or of figures arising on the accounts, and, to the fullest possible extent, questions of interpretation on which they are not unanimous, in so far as it is not already provided for in any existing arrangement.

The above provisions will apply in particular to the settlement of the Ruhr accounts, in accordance with the principles set out below, and to questions which may arise in regard to the amounts due under the heads of restitutions or other non-reparation claims.

Article 12—Ruhr Accounts

A) The Reparation Commission shall fix, in accordance with the provisions of the treaty of Versailles and the practice hitherto in force, the value in gold marks of the receipts of every nature obtained by the French, Belgian and Italian Governments from Germany since January 11, 1923, in so far as such receipts have not already been accounted for to it. The Reparation Commission shall similarly determine the amounts to be set against such receipts, with a view to securing that the powers concerned receive credit for expenditure actually incurred by them, subject, however, to the detailed provisions below with respect to army costs.

B) Separate account will be drawn up for deliveries in kind and cash receipts.

C) The accounts of deliveries in kind shall include the value as determined by the Reparation Commission of—

1. Deliveries in kind not yet accounted for to the commission, including deliveries paid for from the "fonds commun" and the "fonds spécial."

2. All requisitions under or on the analogy of Art. 6 of the Rhineland agreement and all paper marks seized and fines imposed by the armies of occupation during the period January 1, 1923, up to August 31, 1924, in so far as they have not already been reported to the Reparation Commission.

Against these receipts will be allowed as deductions the extra costs incurred by the French and Belgian Governments during the period January 1, 1923, to August 31, 1924, through the maintenance of military forces in German territory not occupied on January 1, 1923, after setting off the normal costs of the maintenance of these forces in their home garrisons.

The net value of the deliveries in kind so determined shall be debited in the reparation accounts against the powers which have received them.

The value of coal and coke sold to Luxemburg during the same period shall be treated as a delivery in kind to France.

D) The account of cash receipts shall include cash receipts of all kinds obtained by the occupying powers, including the gross amounts obtained from taxes or duties, licenses, derogations, etc. . . . and the net receipts of the railway régie as ascertained by the Reparation Commission after verification of the accounts.

From these receipts will be allowed as deductions the civil costs of collection and expenses of administration incurred before August 31, 1924, and the costs of loading coal and exploitation of mines and cokeries up to the same date.

The balance of the account shall, with the exception of the sum mentioned in subpar. 1 of par. B of Art. 3, be paid over to the Belgian Government, which shall be debited on account of the priority for the period before September 1, 1924, with the full amount received, less the interest due on the German treasury bills transferred to Belgium in 1922.

E) In accordance with Annexe III to the London protocol, no claim will be made for payment out of the Dawes annuities of any costs in respect of military forces in German territory not occupied on January 1, 1923, other than the value of requisitions effected by or services rendered to these forces after September 1, 1924. The value of such requisitions or services will be accounted for as deliveries on reparation account to the allied powers concerned.

CHAPTER III.—SPECIAL QUESTIONS ARISING OUT OF
PREVIOUS AGREEMENTS

Article 13—Extension beyond January 1, 1923, of the provisions of Art. 2 of the agreement of March 11, 1922; appropriation of deliveries in kind to the costs of armies of occupation

The French, British and Belgian Governments agree that the forfeits fixed or to be fixed for their respective armies of occupation from January 1, 1923, and until August 31, 1928, in so far as they are not met out of requisitions of paper marks and services, etc., under Art. 6 of the Rhineland agreement, should be charged on the deliveries in kind (including receipts under the British reparation recovery act and any similar levy established by any other Government) received by them, respectively, and the Reparation Commission is requested to give effect to this decision in its accounts.

Article 14—Extension beyond January 1, 1923, of the provisions of Art. 6 of the agreement of March 11, 1922; retention by each power of the deliveries in kind received by it

Each of the Allied Governments having a credit due to it on reparation account shall be entitled to retain, without being required to make payment in cash for the value thereof, the deliveries in kind (including reparation recovery act receipts) received and retained by them between December 31, 1922, and September 1, 1924. The receipts of each power, however, up to September 1, 1924, shall be taken into account in determining the adjustments provided for in Art. 19.

Article 15—Costs of the Armies of Occupation for the Period May 1, 1922, to August 31, 1924

A) The credits to be given in respect of the costs of occupation for the period May 1, 1922, to May 1, 1924, are as follows:

	French share of forfeit, gold marks	Belgian share of forfeit, gold marks	British share of forfeit, gold marks
May 1, 1922, to April 30, 1923	155,526,698	30,680,158	21,092,922
May 1, 1923, to April 30, 1924	117,195,330	23,284,922	22,369,567

B) As regards the cost of occupation for the period May 1, 1924, to August 31, 1924, the Allied Governments will authorize their representatives on the Reparation Commission to make the necessary adjustment on the basis of the principles on which the above figures were calculated.

C) The Reparation Commission is required to introduce those figures into its accounts for the years in question.

Article 16—Debits for the Vessels Allotted or Transferred to Belgium Under Art. 6 (4) of the Spa Protocol

The debits in the interallied accounts for the vessels allotted or transferred to Belgium under Art. 6 (4) of the Spa protocol,¹ shall be dealt with under Art. 12 of the finance ministers' agreement of March 11, 1922, instead of as provided for in the Spa protocol.

Article 17—Debits for Shantung Railways and Mines

In respect of the railways and mines referred to in the second paragraph of Art. 156 of the treaty of Versailles, Japan will be debited by the Reparation Commission in the interallied accounts only with the equivalent of the compensation which has been, or may be, in fact, paid by the German Government to its nationals for their interests. Pending the establishment of the amounts in question, Japan will be regarded as entitled to her full percentage of reparations as from September 1, 1924.

CHAPTER IV.—INTEREST AND ARREARS

Article 18—Interest Account

The Allied Governments agree that all interest charges on reparation receipts up to September 1, 1924, should be waived as between the allied powers, and all provisions in existing agreements requiring interest accounts to be kept to that date are canceled. Interest at 5% shall, however, be charged as from September 1, 1924, on the excess receipts shown in the amount to be drawn up under Art. 19 below as due at that date by any allied power to the reparation pool as well as on any further excess receipts which may accrue after that date until they are repaid.

Article 19—Excesses and Arrears

A) The Reparation Commission shall, as soon as possible, draw up an account showing as at September 1, 1924, for each power entitled to a share in the reparation payments of Germany, but not including the United States of America:

a) The net receipts of that power on reparation account as at September 1, 1924, which shall be calculated by deducting from its total gross receipts as valued for the purpose of interallied distribution, the credits due to it in respect of Spa coal advances, of costs of armies of occupation, excluding the arrears as at May 1, 1921, provided for in Art. 21, of costs of commissions of control not paid in German currency, of profits on ex-

¹This refers to the transfer to Belgium out of the shares of the other states of an amount of tonnage "equivalent to the tonnage of the vessels condemned after the armistice in the Belgian prize court." The article has the effect of debiting Belgium with the value of the shipping in question in Series C bonds.

change, and of any other approved claims such as the claims referred to in Art. 8 (A) of this agreement.

b) The amount that power should have received, had the total net reparation receipts of all the powers been distributed in accordance with the Spa percentage.

By deducting from the amount due to each power its actual debit, the Reparation Commission will determine the arrears due to that power or the excess payments due from that power as at September 1, 1924.

B) A similar calculation shall be made by the Reparation Commission on September 1 in each succeeding year.

C) For the purpose of the above calculations the figures relating to Belgium shall be included on the same footing as those relating to other powers, but, save as provided elsewhere in this agreement, Belgium shall be free of any obligation to repay reparation receipts obtained before September 1, 1924.

Belgium shall, however, if the case arises, be required to account with interest for any excess of reparation receipts obtained by her after September 1, 1924, over her due proportion, as laid down elsewhere in this agreement, of the total receipts effectively debited to all the powers after that date. In the contrary case Belgium will be regarded as having a claim in respect of arrears.

D) The provisions of the second paragraph of Art. 7 of the agreement of March 11, 1922, relating to the debits to be entered in the account to be drawn up under Art. 235 of the treaty in respect of coal received by Italy before May 1, 1921, shall apply also to the debits for coal received by Italy between May 1, 1921, and December 31, 1922.

Article 20—Recovery of Arrears

Except as otherwise provided for in this agreement—

A) The excess receipts of any power, as fixed at the end of each year under Art. 19, shall be repaid by the deduction of a certain percentage from the share of that power in each succeeding annuity until the debt is extinguished, with interest at 5%, provided that no repayments under this subsection shall be required out of the annuities for the years commencing September 1, 1924, and September 1, 1925.

B) In the case of Italy and the S. H. S. State,¹ this deduction shall be fixed at 10%. In the case of other countries the deduction shall be calculated by the Reparation Commission on a similar basis.

C) The repayments made by the debtor powers shall be distributed between the powers in credit to the reparation pool in proportion to their respective arrears.

¹Serb-Croat-Slovene State.

Article 21—Costs of the Armies of Occupation to May 1, 1921

The arrears due to France and Great Britain on account of pre-May 1, 1921, army costs shall be excluded from the general account of arrears and shall be discharged by a special allotment out of the Dawes annuities (ranking immediately after the charge in favor of U. S. army costs) of the following amounts, namely:

First year	15,000,000 gold marks
Second year	20,000,000 gold marks
Third year	25,000,000 gold marks
Fourth year	30,000,000 gold marks

and thereafter an annuity of 30,000,000 gold marks until the arrears are extinguished.

The allotment shall be divided between France and Great Britain¹ in the proportion, France 57%, Great Britain 43%. The allotment shall be taken in deliveries in kind during the first two years of the Dawes Plan and thereafter may be transferred either in deliveries in kind or cash. This arrangement will not affect the distribution of any cash receipts now in the hands of the Reparation Commission available for the liquidation of army costs arrears, which receipts will be dealt with in accordance with Art. 8 of the agreement of March 11, 1922, and credited against the capital arrears. Further, the annuity above provided for will retain a prior charge up to 25% of its amount on any cash receipts not arising out of the Dawes Plan which may accrue to the Reparation Commission in the future on account of Germany.

CHAPTER V.—MISCELLANEOUS QUESTIONS

Article 22—Payment by Czechoslovakia for Deliveries in Kind

The sums due by Czechoslovakia to the Reparation Commission in respect of the deliveries in kind received by her from Germany and Hungary since May 1, 1921, shall be placed in a suspense account and carry interest at 5% from September 1, 1924.²

Article 23—Bulgarian Payments

Without prejudice to any question of principle, the payments made or to be made up to December 31, 1926, by Bulgaria under the protocol of Sofia dated March 21, 1923, will be distributed between the allied powers in the proportions laid down in Art. 2 of the Spa protocol.³ The

¹The British arrears amount to 143,276,000 gold marks and the French to 219,064,000.

²Amounts of 10,252,486 gold marks and 683,234 gold crowns are involved.

³One half to the principal reparation creditors in the customary proportions; 20% to Italy and 30% principally to Balkan creditors.

Allied Governments will agree together as to the method of distribution of these payments to be adopted after December 31, 1926.

Article 24—Properties Ceded to the Free City of Danzig

The Allied Governments give full powers to their respective representatives on the Reparation Commission to settle all questions connected with the debt due by the Free City of Danzig in respect of the value of the public properties ceded to the Free City by Germany, including such adjustments of the payments to be made by the Free City as may be necessitated by its financial situation.

Article 25—Recommendations with Regard to Distribution of Payments Throughout the Year

The finance ministers draw the attention of the Reparation Commission to the fact that the operation of the Dawes Plan would be greatly facilitated if the Agent General for Reparation Payments could so arrange that the annual payments to be made during the operation of the Dawes Plan may be distributed throughout the course of each year, and they request the Reparation Commission and the agent general to consider what steps can be taken to secure this result, which is of particular importance during second and third years of the plan.

With a view to accomplishing this result the Allied Governments so far as they are concerned authorize the Reparation Commission and the Agent General for Reparation Payments, in cooperation with the trustees for railway bonds and industrial debentures, to take all action that may be necessary to arrange the due date of the payments to be made on the railway and industrial bonds so as to provide for a gradual and even flow of payments throughout each annuity year.

Furthermore the finance ministers authorize the Reparation Commission to make arrangements, so far as may be practicable without prejudicing the requirements of other powers, to enable the Portuguese Government to obtain during the earlier months of the second year of the Dawes Plan (within the limit of its share in the second annuity) the sums necessary to complete certain outstanding orders for deliveries in kind of special importance to it.

Article 26—Interpretation and Arbitration

This agreement shall be transmitted to the Reparation Commission, and the commission will be requested to give effect thereto and to adjust the payments during the remainder of the year to August 31, 1925, and during subsequent years, so that the total receipts of each allied power during each year shall not exceed its share under this agreement. The Reparation Commission shall have authority by unanimous resolution to interpret the provisions of the agreement in so far as the allied powers

are concerned. If any difference or dispute shall arise on the Reparation Commission or between the allied powers in respect of the interpretation of any provisions of this agreement or as to anything to be done hereunder, whether by the commission or otherwise, the same shall be referred to the arbitration of a single arbitrator to be agreed unanimously by the members of the Reparation Commission, or, failing agreement, to be appointed by the president for the time being of the Permanent Court of International Justice.

Any difference or dispute that may arise with the United States of America regarding the interpretation of this agreement affecting American claims or the rights of the United States of America under this agreement shall be referred to an arbitrator to be agreed upon between the United States of America and the Reparation Commission acting unanimously.

Article 27—Reservation as to Rights and Obligations of Germany

The provisions of the present arrangement concluded between the powers interested in reparations do not prejudice any rights or obligations of Germany under the treaties, conventions and arrangements at present in force.

The present agreement, done in English and French in a single copy, will be deposited in the archives of the Government of the French Republic which will supply certified copies thereof to each of the signatory powers.

In the interpretation of this agreement, the English and French texts shall be both authentic.

Paris, January 14, 1925.

CLÉMENTEL.
G. THEUNIS.
WINSTON S. CHURCHILL.
MYRON T. HERRICK.
FRANK B. KELLOGG.
JAMES A. LOGAN, Jr.
ALBERTO DE' STEFANI.
K. ISHII.
L. M. DE SOUZA DANTAS.
EM. J. TSOUDEROS.
J. MROZOWSKI.
J. KARSNICKI.
ANTONIO DA FONSECA.
VINTILA BRATIANO.
N. TITULESCU.
STOYADINOVITCH.
STEFAN OSUSKY.

IV. STATUS AND DISTRIBUTION OF PAYMENTS

The total of payments made on account of reparation is still (April, 1925) uncertain. The Agent General for Reparation Payments is the only receiving officer whose accounts are up-to-date and straight, and as yet they represent only a small fraction of the total. The financial agreement of January 14, 1925, straightened out a good many of the minor outstanding questions which had bothered the Reparation Commission, and during the current plan year its accounts should show a great improvement on the score of accuracy. The largest unreported set of items is the receipts by the creditor states direct from German properties passing to them under the treaty of Versailles.¹ The Reparation Commission can not account for these until the benefiting Governments report them; and the latter have given few signs in that respect. The withheld credits probably run as high as 10,000,000,000 gold marks. The value of all transfers of wealth by Germany has been estimated at 25,800,000,000 by American economists.² The Reparation Commission has issued no statement since July, 1923, showing the liquidation of the German reparation bonds which are the evidence of the debt.

One reason for incompleteness has been uncertainty. In January, 1924, the Reparation Commission and the German Government left to the arbitration of President Beichmann of the Trondhjem Court of Appeals a far-reaching series of questions arising from the difficulty of interpreting Art. 260 of the treaty of Versailles, which stipulates that the commission may demand the transfer of various extra-German rights and interests of German nationals. The award was rendered in December, 1924,³ to the effect that, as the commission contended, Art. 260 applied to:

1. All territories ceded by the treaties of peace with Austria, Hungary and Bulgaria;
2. All accessories of a concession or enterprise;
3. Bonds held by German nationals;
4. Concerns properly characterized as concessions and public

¹See *Reparation*, Pt. I, p. 35-41.

²Moulton and McGuire, *Germany's Capacity to Pay*, p. 75.

³*Le Temps*, December 18, 1924, p. 1.

utility undertakings situated in the territories contemplated by Art. 260, even though they were the property of companies having their social seats outside of those territories or in Germany;

5. Enterprises for the distribution of water, gas and electric current.

The arbitrator upheld the German contentions that Art. 260 did not apply to:

1. German schools in the Near East;
2. German shares in the Swiss Bank for Oriental Railroads;
3. Upper Silesian territories transferred to Poland;

4. *Verleihungen* (grants) under German law giving the first applicant a right to establish a claim are not equivalent to concessions, with particular reference to mining enterprises.

In accordance with this award the commission sold at auction on February 13 and 18, 1925, a large number of shares in Austrian and Hungarian railroad companies formerly held by the German Government, the Erste Donau Dampfschiffahrts, Haidar Pasha Harbor, Scutari Kadikeuy Water, Mersina-Tarsus-Adana Railroad, Ottoman Joint Stock Company and Workshops of the Upper Bosphorus and the Anatolian Railroad.¹

INSTANCE OF BELATED SETTLEMENT

Another instance of belated settlement may be mentioned. Art. 254 of the treaty of Versailles provides that Germany shall be credited on reparation account with a portion of the German imperial and state debt as it stood on August 1, 1914, corresponding to the "relative ability" of territories ceded to make payment. On November 18, 1924, the Reparation Commission determined the resulting debits in gold marks against creditor states as follows:²

Belgium	640,609
Danzig	3,783,729
Czechoslovakia	242,879
Poland (Upper Silesia)	1,750,361
Poland (for other territories)	17,121,438

The table which follows combines the Reparation Commission accounts, the Franco-Belgian Ruhr occupation accounts as

¹London *Times*, January 23 and 28, 1925.

²*Le Temps*, November 20, 1924, p. 1; New York *Times*, November 19.

provisionally made up and the agent general's semi-annual cumulative statement.

The Ruhr account requires explanation. The debatable period runs from January 11, 1923, until August 31, 1924, at which date the accounts came under the supervision of the agent general. In that period the following collecting agencies were established: The Interallied Mission of Control for Factories and Mines (Micum), collecting the coal tax and granting trade licenses with extra-Ruhr territory; the Customs Committee of Direction; the Managing Committee for Import and Export Licenses; the Managing Committee for Forests; the delegates for circles and the customs services; the river service. The product of their operations was centralized with the Special Accounting Committee for Pledges, with headquarters at Coblenz.¹ Of its own accounts, the French Government says "it is impossible for us to give any guaranty of their correctness."² The reasons assigned are the hasty recruitment of agents, who were employed without adequate examination and the independence of officials acting without the usual supervision. As a consequence, a French commission was appointed to draw up an accurate account, of which M. Lamoureux, assistant general reporter of the Commission on Finances of the Chamber of Deputies, was chairman.

France and Belgium on May 12, 1924, reached an agreement dividing the Ruhr receipts into three categories. The first was takings or deliveries in kind. The second was takings by each state and requisitions under the Rhineland agreement, earmarked for occupation expenses. The third was the common fund, in which Italy shared, and which was employed to purchase commodities on order.

The accounts here presented are rearranged from the *Inventaire de la situation financière de la France* and the communiqués of the Agent General for Reparation Payments.

¹A Franco-Belgian provisional report on January 9 (*Le Temps*, p. 2) makes no change in the records of the Coblenz committee.

²*Inventaire de la situation financière*, p. 164.

GERMAN REPARATION PAYMENTS NOVEMBER 11, 1918-FEBRUARY 28, 1925

(Expressed in thousands of gold marks; 000 omitted)

A. REPARATION COMMISSION

I. Until May 1, 1921

	<i>United States</i>	<i>British Empire</i>	<i>France</i>	<i>Belgium</i>	<i>Italy</i>	<i>Other states</i>	<i>Undivided</i>	<i>Total</i>
Deliveries in kind	23,375	222,696	901,702	534,892	84,042	41,156	478,752	2,286,615
Cash	—	637,925	142,649	508	21	15	6,411	787,529
Non-liquid assets	—	588 ¹	2,042 ²	635 ³	—	—	2,390,486 ⁴	2,393,701

II. After May 1, 1921

	23,375	861,159	1,046,393	536,035	84,063	41,171	2,875,649	5,467,845
Deliveries in kind	—	440,095	383,938	98,315	276,855	331,786	6,150	1,537,139
Saar mines	—	—	300,000	—	—	—	—	300,000
Cash	—	—	844	1,083,297	32,775	747	234	1,117,897

B. INCOME FROM RUHR OCCUPATION

Deliveries in kind	—	—	25,000	11,000	117,000	—	—	153,000
Marks requisitioned or taken	—	—	60,000	4,000	—	—	—	64,000
Cash deliveries	—	—	—	7,000	—	—	—	7,000
Penalties and taxes	—	—	1,000	500	—	—	—	1,500
Seizures	—	—	21,000	3,000	—	—	—	24,000
Coal	—	—	190,000	85,000	59,000	—	—	334,000
Various deliveries	—	—	69,000	22,000	—	—	—	91,000
River boats	—	—	11,000	—	—	—	—	11,000
Common fund	—	—	8,000	1,600	800	—	—	10,400
Receipts at Coblenz:								
Coal tax	—	—	—	—	—	—	129,000	129,000
Customs	—	—	—	—	—	—	163,000	163,000
Licenses, etc.	—	—	—	—	—	—	101,000	101,000
Forests	—	—	—	—	—	—	27,000	27,000
Circulation permits and unclassified	—	—	—	—	—	—	3,000	3,000
Railroad régie	—	—	—	—	—	—	67,000	67,000
			<u>385,000</u>	<u>134,100</u>	<u>176,800</u>		<u>490,000</u>	<u>1,185,900</u>

GERMAN REPARATION PAYMENTS NOVEMBER 11, 1918-FEBRUARY 28, 1925—Continued

C. EXPERTS' PLAN, SEPTEMBER 1, 1924-
FEBRUARY 28, 1925

	United States	British Empire	France	Belgium	Italy	Other states	Undivided	Total
Amounts paid	—	106,845	197,482	45,165	37,193	23,935 ^b	116,215	579,911 ^c
	23,375	1,408,099	2,313,657	1,896,912	607,686	397,639	3,488,248	10,188,692
Probably due to Belgium	—	—	121	—	—	—	—	121
German debt debits ^d	—	—	641	—	—	—	22,878	23,519
			2,314,419				3,511,126	10,212,332

¹Represents property in British concession at Shameen.

²German school in French concession at Shanghai.

³In respect of Moresnet, Eupen and Malmédy.

⁴The bulk of this item is debited to Poland. Cf. *Reparation*, Pt. III, p. 203.

⁵Divided as follows: Serb-Croat-Slovene State, 14,939,450; Rumania, 3,286,757; Portugal, 2,598,475; Japan, 1,923,754; Greece, 1,186,840.

⁶The total of the receipts shown is 526,835,000 gold marks, indicating 53,076,000 gold marks of occupation costs and Ruhr charges passing through the office of the agent general but not credited to reparation account.

⁷See p. 293, *supra*.

EXPENSES CHARGED AGAINST REPARATION PAYMENTS

A. REPARATION COMMISSION

I. Until May 1, 1921

	British Empire	France	Belgium	Italy	Other states	Total
Armies of occupation, control commissions, coal advances	1,003,897	1,263,415	202,649	39,437	269	2,509,667

II. After May 1, 1921

Armies of occupation, control commissions	82,104	345,118	87,103	470	520	515,315
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B. RUHR RÉGIME

Armies of occupation	—	184,000	35,000	—	—	219,000
Replacement of American troops	—	13,000	—	—	—	13,000
Control commission	—	1,000	200	—	—	1,200
Administrative expenses	—	—	—	—	—	16,000
Destockage and exploitation	—	—	—	—	—	54,000
Occupation, additional	—	95,000	18,600	—	—	113,600

C. EXPERTS' PLAN, SEPTEMBER 1, 1924—FEBRUARY 28, 1925

Reparation Commission	—	—	—	—	—	3,567
Rhineland Commission	—	—	—	—	—	2,717
Military Commission	—	—	—	—	—	6,000
Naval Commission	—	—	—	—	—	70
Interest on German external loan	—	—	—	—	—	29,130
Office of Reparation Payments	—	—	—	—	—	1,227
Occupation and Ruhr costs, etc.	—	—	—	—	—	53,078 ¹
	1,086,001	1,901,533	343,552	39,907	789	3,537,569

¹The detailed accounts show a larger amount, which, however, includes creditable items. The sum given is the difference between the total received up to February 28, 1925, and the amounts distributed or in bank.

V. ANNUITIES UNDER THE PLAN

Probably the chief interest in the operation of the Experts' Plan centers around what the creditors are going to receive. Even a casual reading of the finance agreement of January 14, 1925, will indicate that the determination of the divisible remainder in any one year is not an easy matter. It is not rendered simpler by the existence of numerous outstanding allied claims and counter-claims both on past and current accounts (*cf.* Arts. 8, 11, 19 and 20). Until the Reparation Commission has reduced all of these to definitely agreed figures, has offset excesses against arrears, and has fixed methods of procedure for the liquidation of the arrears, it will in any case be impossible to give a picture of the payments of any plan year with mathematical accuracy. As it is probable that all concerned will seek to realize the terms of the finance agreement, the following experimental tabulations of payments during the first five plan years have been made to include the specific priority charges called for in that agreement:

FIRST YEAR		
SEPTEMBER 1, 1924, TO AUGUST 31, 1925		
	Gold Marks	Gold Marks
Payable by Germany		1,000,000,000
Charges:		
1924 external 7% gold loan, interest and sinking fund (<i>cf.</i> Art. 3, A, I)	80,000,000 ¹	
Reparation Commission and Dawes organization (Art. 1, A)	9,250,000	
Interallied Rhineland High Commission (Art. 1, B)	10,000,000	
Military Commission of Control (Art. 1, C)	8,000,000	
European Commission of Danube (Art. 9)	216,355	
French and British arrears pre-May 1, 1921, army costs (Art. 21)	15,000,000	
Belgian army of occupation (Art. 2, A)	25,000,000 ²	
British army of occupation (Art. 2, A)	25,000,000 ²	
French army of occupation (Art. 2, A)	110,000,000 ²	282,466,355
Net available for distribution		717,533,645

¹Less than full year's charge because of the incidence of due dates.

²To be met from annuity receipts, but to be repaid as reparation arrears (Art. 2, B).

Priorities:	Gold Marks	Gold Marks
Belgian war debt, 5% (Art. 4)	35,876,682	
Restitution, 1% (Art. 5, A, a)	7,175,337	43,052,019
		<hr/>
United States claims account, 2¼% (Art. 3, A, 2)		15,175,837
		<hr/>
Available for Spa percentages		659,305,789 ¹

SECOND YEAR

SEPTEMBER 1, 1925, TO AUGUST 31, 1926

Payable by Germany		1,220,000,000
1924 external 7% gold loan, interest and sinking fund (cf. Art. 3, A, 1)	90,000,000	
Charges:		
Reparation Commission and Dawes organization (Art. 1, A)	7,500,000	
Interallied Rhineland High Commission (Art. 1, B)	9,000,000 ²	
Military Commission of Control (Art. 1, C)	4,000,000 ³	
French and British arrears pre-May 1, 1921, army costs (Art. 21)	20,000,000	
Armies of occupation, estimate	150,000,000 ⁴	280,500,000
		<hr/>
Net available for distribution		939,500,000
Priorities:		
Belgian war debt, 5% (Art. 4)	46,975,000	
Restitution, 1% (Art. 5, A, a)	9,395,000	56,370,000
		<hr/>
		883,130,000

¹Belgium has an 8% priority on this amount (Art. 6).²The amount is to be settled subsequent to the finance agreement of January 14, 1925. The figure for the first reparation year was the figure of expenses shown for the previous year, which were abnormally high, and an effective control would reduce the costs below the figure tabulated. Moreover, it is probable that the Cologne sector will not be occupied in the second year, reducing expense on that account.³The interallied experts in their report of January 6 forecast a speedy reduction of the expense of this commission to 25% of its then monthly rate. The probability that the commission will be abolished in 1925 and a control under the Council of the League of Nations substituted makes the inclusion of the item somewhat problematical.⁴The arrangement for army costs for this and future years is to be made in the current plan year (Art. 2, E). The probable evacuation of the Cologne sector would eliminate the British charge entirely, and the British are insistent that the occupation rates be kept as low as possible, and that the occupying armies charge only for men actually in the armies of occupation.

	<i>Gold Marks</i>
United States claims account, $2\frac{1}{4}\%$ (Art. 3, A, 2)	19,870,425
Available for Spa percentages	<u>863,259,575¹</u>

THIRD YEAR

SEPTEMBER 1, 1926, TO AUGUST 31, 1927

Payable by Germany		1,200,000,000
Charges:		
1924 external 7% gold loan, interest and sinking fund (<i>cf.</i> Art. 3, A, 1)	89,000,000	
Reparation Commission and Dawes organization (Art. 1, A)	7,500,000	
Interallied Rhineland High Commission ² (Art. 1, B)	8,000,000	
[Military Commission of Control	3,000,000 ²	
French and British arrears pre-May 1, 1921, army costs (Art. 21)	25,000,000	
United States army costs (Art. 3, A, 1)	55,000,000	
Armies of occupation, estimate	145,000,000	<u>332,500,000</u>
Net available for distribution		867,500,000
Priorities:		
Belgian war debt, 5% (Art. 4)	43,375,000	
Restitution, 1% (Art. 5, A, a)	8,675,000	<u>52,050,000</u>
		815,450,000
United States claims account, $2\frac{1}{4}\%$ (Art. 3, A, 2)		<u>18,347,625</u>
Available for Spa percentages		797,102,375

FOURTH YEAR

SEPTEMBER 1, 1927, TO AUGUST 31, 1928.

Payable by Germany		1,750,000,000
Charges:		
1924 external 7% gold loan, interest and sinking fund (<i>cf.</i> Art. 3, A, 1)	88,000,000	
Reparation Commission and Dawes organization (Art. 1, A)	7,500,000	
Interallied Rhineland High Commission (Art. 1, B)	8,000,000	

¹The Belgian quota is to be reduced from 8 to 4.5% as soon as the priority is extinguished. It is assumed for this plan year that the priority will continue through six months of the year (*cf.* Art. 6, B, c and C).

²This item will have disappeared in all probability (*cf.* note to the second year).

	<i>Gold Marks</i>	<i>Gold Marks</i>
[Military Commission of Control	2,000,000 ¹	
United States army costs (Art. 3, A, 1)	55,000,000	
French and British arrears pre-May 1, 1921, army costs (Art. 21)	30,000,000	
Armies of occupation, estimate	140,000,000	330,500,000
	<hr/>	<hr/>
Net available for distribution		1,419,500,000
Priorities:		
Belgian war debt, 5% (Art. 4)	70,975,000	
Restitution, 1% (Art. 5, A, a)	14,195,000	85,170,000
	<hr/>	<hr/>
		1,334,330,000
United States claims account, 2¼% (Art. 3, A, 2)		30,022,425
		<hr/>
Available for Spa percentages		1,304,307,575

FIFTH OR STANDARD YEAR

SEPTEMBER 1, 1928, TO AUGUST 31, 1929

Payable by Germany		2,500,000,000
Charges: 1924 external 7% gold loan, interest and sinking fund (cf. Art. 3, A, 1)	88,000,000	
Reparation Commission and Dawes organiza- tion (Art. 1, A)	7,500,000	
Interallied Rhineland High Commission (Art. 1, B)	7,500,000 ²	
[Military Commission of Control (Art. 1, C) . .	2,000,000 ³	
United States army costs (Art. 3, A, 1)	55,000,000	
French and British arrears pre-May 1, 1921, army costs (Art. 21)	30,000,000	
Armies of occupation, estimate	135,000,000	325,000,000
	<hr/>	<hr/>
Net available for distribution		2,175,000,000

¹This item will have disappeared in all probability.

²It is assumed that the smooth working of the plan will effect reductions of expenses on the commission account. In the sixth year the commission should contemplate a further reduction of personnel by reason of the evacuation of the Coblenz sector coming due by virtue of Art. 429 of the treaty of Versailles by January 10, 1930; in the eleventh year of the plan's operation the Mainz-Kehl sector is due for evacuation, in which event the Interallied Rhineland High Commission would cease to exist.

³This item is carried "pour mémoire," as the French say. As indicated above, the commission may reasonably be expected to cease functioning shortly. The Interallied Naval Commission was wound up in September, 1924, and the control, if and as necessary, transferred to the Council of the League of Nations.

Priorities:	<i>Gold Marks</i>	<i>Gold Marks</i>
Belgian war debt, 5% (Art. 4)	108,750,000	
Restitution, 1-2% (Art. 5, A, b)	21,750,000 ¹	130,500,000
	<hr/>	<hr/>
Net available for distribution		2,044,500,000
United States claims account 2¼% ² (Art. 3, A, 2)		45,000,000
		<hr/>
Available for Spa percentages		1,999,500,000

¹If this priority is running in the fifth year, it would seem to take about 9,500,000 gold marks more (see Art. 5, A, b).

²Actually amounts to 46,704,700 gold marks. The finance agreement, Art. 3, A, 2, provides that "the annuity resulting from this percentage shall not in any year exceed the sum of 45,000,000 gold marks."

VI. DURATION AND AMOUNT OF PAYMENTS

No qualified experts have yet begun to figure the probable income from the Experts' Plan, the total of which is necessarily due primarily to the length of time it shall run. As the Reichsbank is the essential key of the scheme, and the German law of August 30, 1924, specifies that its duration shall be for 50 years under that law, it may be assumed that the plan is not likely to be operative over a longer time than that. It is almost inconceivable that in 1974 the German Government would be in a position where the present special position of the Reichsbank, adapted to the payment of reparation and the special controls contingent thereon, would be reenacted into law. Art. 232 of the treaty of Versailles provides for the payment of reparation within 30 years from May 1, 1921. It will naturally make a great deal of difference whether the reparation payments run for 26 years or for 49 years more. Beginning with the fifth, or standard, year increase of payments will be effective by application of the index of prosperity provided for in the Experts' Report, and described in the protocol of August 8. What excess above 2,500,000,000 gold marks the application of the index will bring is, of course, problematical.

In July, 1924, the French Government estimated that the value of the French share of reparation was 41,835,000,000 gold francs.¹ In the *Inventaire de la situation financière de la France* of Finance Minister Clémentel, he purports to give a balance sheet of the assets and liabilities of France, in which the "fixed annuities of the Dawes Plan" are capitalized at 103,900,000,000 francs. Franc exchange on December 15, 1924, the approximate date of the issuance of the *Inventaire*, was 18.64 on the Bourse in Paris, indicating a depreciation of a little more than 3.5. The sum included in the balance sheet in paper francs would, therefore, apparently be the equivalent of 29,685,714,300 gold francs, presumably present value, representing 52% of divisible reparation due to France. The total sum divisible from the fixed annui-

¹In the Chamber on August 22, 1924, M. Le Trocquer said: "The figure given by the president of the Council to the Senate on July 11, 1924, was 41,835,000,000" (*Journal officiel*, Chambre des Députés, Aug. 22, p. 3013-14).

ties would amount to 57,087,916,000 gold francs, or 46,241,211,960 gold marks, on that basis.

It should, however, be understood that France holds to the theoretical possibilities of the Schedule of Payments. M. Clémentel states:

[The Experts' Plan] leaves intact the right of the allies to claim from their debtor the total amount of 132,000,000,000 gold marks, at which their credit has been fixed. France has abandoned no part of her rights; the conditions under which the question of interallied debts will be finally settled will control the attitude which she will take in respect to her own debtor and will dictate the abatements to which she may eventually consent.¹

The percentages of each state in the distribution of the residue divisible on the reparation account remain, in general, those fixed at Spa, in the agreement of July 16, 1920. In view of maintaining the Belgian priority, however, Belgium's 8% is reduced to 4½% after the priority is extinguished. The other 3½% will be divided between France and Great Britain not later than September 1, 1926. As a result, from that date at least France will receive 52/74ths of 3½% of divisible reparation in addition to the 52% now received: that is, a total of 54.46%. The British Empire—not Great Britain, as the finance agreement states—will receive 22/74ths in addition to the Spa 22%, or a total of 23.04%. The Greek percentage is definitely fixed at .4% as far as German payments are concerned, and the Rumanian at 1.1%, a concession after four years and a half of .1%. With these changes or new decisions the divisible reparation income will be distributed as follows:

¹*Inventaire de la situation financière de la France*, p. 174.

France			54.46%
British Empire			23.04%
Great Britain	86.85%	20.01024	
Minor colonies	0.80%	0.18432	
Canada	4.35%	1.00224	
Australia	4.35%	1.00224	
New Zealand	1.75%	0.40320	
Ireland ¹	1.20%	0.27648	
South Africa	0.60%	0.13824	
Newfoundland	0.10%	0.02304	
Italy			10.00%
Serb-Croat-Slovene State			5.00%
Belgium			4.50%
Rumania			1.10%
Portugal			0.75%
Japan			0.75%
Greece			0.40%

¹Division between the Irish Free State and Northern Ireland is undetermined.

VII. THE OPERATION OF THE EXPERTS' PLAN

The Reparation Commission no longer sits at Paris. It still exists under the treaty, but the delegates are living at home, without salary, though they receive a monthly retainer, traveling expenses and a per diem allowance for attendance at infrequent sessions. The business of the commission is in the charge of the assistant delegates, who "constitute a permanent managing committee, directing the work of the interallied secretariat general, taking all necessary decisions to expedite current business and reporting to the full commission." The assistant delegates have these powers under the treaties of peace with Germany, Austria and Hungary. The reorganization of the commission involved the suppression of secretaries to delegates and assistant delegates, the Financial Service, the Service of Restitutions and Deliveries in Kind, the assistant secretary general, the national assistant secretaries general, the services outside of Paris, the Information Service at Paris, except for the library, the secretariat of the Legal Service (itself reduced to four members), the reduction of the Accounting Service, and, in general, the reduction of the personnel to the greatest possible extent.¹ The reorganization was effective February 1, 1925.

The Committee of Guaranties, which had played an extensive part in the reparation problem both before and after the Schedule of Payments of May 5, 1921, was discontinued on September 1, 1924, by a resolution of the Reparation Commission.

The secretary general, S. A. Armitage-Smith, is the only commission official whose status has not been considerably modified. The secretary general is British by virtue of an understanding reached between the British and French Governments on December 13, 1919, under which the British delegate agreed to support the candidacy of the French delegate for president of the commission on condition that the secretary general be British.² The French delegate remains president of the commission and the assistant French delegate presides over the permanent managing

¹*Le Temps*, November 13, 1924, p. 6.

²*Journal officiel*, Chambre des Députés, August 24, 1924, p. 3045. The British delegate regularly nominated the French delegate for president.

committee. The president has a casting vote in case of a tie, which used to occur fairly often owing to the fact that the commission lacked the American member it was originally planned to contain.

It is interesting to note that since the Reparation Commission has become a reduced and routine body, the American representation in or near it has doubled. An official "unofficial observer" has continuously sat with the commission and continues to do so in the person of James A. Logan, Jr., who has credentials from the Department of State. The London conference revised the treaty of Versailles once more¹ and provided for an American to be an official member of the commission. Thomas Nelson Perkins, upon whom the choice fell, has no credentials from the Department of State, but casts a regular vote in the commission.

In addition to a new member in Mr. Perkins, the only increase in the activities of the commission is in its establishment of the important Deliveries in Kind Committee of eight members. This committee is contemplated by the Experts' Report (Sec. XI, *Reparation*, Pt. V, p. 386) and was provided for in the Allied-German agreement of August 30 (clause 3, p. 254). It consists of four German members and four appointed by the Reparation Commission. This committee was organized with four members instead of three on each side. The appointees of the Reparation Commission are Sir Thomas Urwick, British, M. Bemelmans, Belgian, M. Aron, French, and Commander Laviosa, Italian. The Reparation Commission denied the application of Japan, the Serb-Croat-Slovene State, Rumania, and Greece, to be represented on the committee, but provided that they should have special facilities for making their opinions heard. The committee met first on November 6, 1924, and almost immediately encountered a difficulty which required the cooptation of an additional member of neutral nationality to solve. The additional member is Marcus Wallenberg of Sweden. The question at issue is whether the committee is to transmit through the plan system ordinary commercial orders for commodities as well as orders chargeable as deliveries in kind.

The Reparation Commission will evidently have only a modest place in the history of reparation,² so long³ as the Experts' Plan

¹For revisions see *Reparation*, Pt. III, 177 and 178 and p. 262-63, *supra*.

works. Its legal position in the scheme remains unimpaired and there are numerous matters that it must decide formally, including the all-important one of canceling German evidences of reparation indebtedness. But the plan system provides the facts, and the commission's functions are now rather those of establishing the record than of producing the record.

ORGANIZATION UNDER THE PLAN

With a Reparation Commission actually consisting of assistant delegates and a clerical staff, there may be presented for comparison the organization of the plan system. Technically, the plan organization is subordinate to, and its officials in great part are appointed by, the Reparation Commission, but most of the officials carry out duties under agreements between the interested parties so that the subordination is more apparent than real. The organization officials are:

Agent General for Reparation Payments (Generalagent für Reparationszahlungen), appointed by the Reparation Commission (*Report*,¹ p. 394), coordinating agent between the commission and the plan commissioners (p. 393), member and chairman of the Transfer Committee (p. 468), receiver of payments from Germany (p. 387). Owen D. Young was agent general until November 1, 1924, at which time he was succeeded by Seymour Parker Gilbert, Jr. The salary is fixed at 190,000 gold marks per year. The secretary general of the office is M. Denis, Belgian.

Transfer Committee (Übertragungskomitee), (*Report*, Annex 6) consisting of the Agent General for Reparation Payments as chairman, and five members appointed by the Reparation Commission after consultation with the non-German members of the General Board of the Reichsbank. The committee receives moneys from the agent general, applies bank balances for payments for deliveries in kind, converts bank balances into foreign currencies or invests them, transmitting the proceeds to the Reparation Commission. The committee does not sit continuously. Salaries are at 1500 gold marks per month, traveling and maintenance expenses on duty additional. The five foreign

¹References are to the Report of the Experts published in *Reparation*, Pt. V.

members, appointed by the Reparation Commission on October 12, 1924, are: Joseph E. Sterrett, American; Henry Bell, British; Jean Parmentier, French; Pasquale Janaccone, Italian; Albert E. Janssen, Belgian. The Japanese, Serb-Croat-Slovenes, Rumanians and Greeks were denied representation.

Reichsbank (*Report*, Annex 1, p. 420, and *Reichsgesetzblatt*, August 30, 1924, p. 235). The German president of the bank, Herr Schacht, is chairman of the German Managing Board and the mixed General Board. The General Board consists of 14 members, of whom seven are British, French, Italian, Belgian, American,¹ Dutch and Swiss banking experts. The members of the German Managing Board are appointed by the president with the approval of three-fifths of the General Board, including six foreign members. The Bank Commissioner, M. Brujins, Dutch, a member of the General Board, has the duty "to enforce the provisions of the law and the statutory regulations relative to the issue of notes and the maintenance of the bank's reserves which guaranty that issue." He is the chief non-German official, with salary at 80,000 gold marks per year and 15,000 annual allowance. An Organization Committee of five prepared the German law establishing the Bank.

German Reich Railroad Company (Deutsche Reichsbahn-Gesellschaft) (*Report*, p. 380, Annex 4, p. 458, *Reichsgesetzblatt*, August 30, 1924, p. 272). This 26,000,000,000 gold mark corporation holds the former state railroads. Of its capital 11,000,000,000 gold marks is a reparation asset. There is a Trustee of Railroad Bonds, Léon Delacroix, Belgian, salary 75,000 gold marks. The most important official is the Railroad Commissioner, G. Leverve, French, salary 80,000 gold marks and 25,000 allowance, whose duties are those of inspection, with a right to receive all reports on operation and finance and all proposals for changes in tariff, etc. If the bond service is in jeopardy, he has powers appropriate to the circumstances. The Board of Directors consists of 18 men, nine appointed by the German Government and nine by the Trustee of Railroad Bonds. The General Manager, Herr Oeser, is elected by this board. An Organization Committee of five prepared the German law establishing the company.

¹The American member is Gates W. McGarrath of New York.

Industrial debentures (Industrie-Obligationen) (*Report*, p. 382, Annex 5, p. 466, Reichsgesetzblatt, August 30, 1924, p. 257). The German Government has provided 5,000,000,000 gold marks of debentures of industrial concerns, guaranteed by itself, toward reparation. These are in the hands of the Trustee of Industrial Debentures, M. Nogara, Italian, salary 75,000 gold marks. For managing the issue the German law establishes the Bank for German Industrial Obligations which has a German Board of Directors and a Council of Inspection. The latter consists of 15 members, the German president included. Of the 14 others four are appointed by the non-German members of the General Board of the Reichsbank, three by the Reparation Commission¹ and seven by the German Government, three of these representing the Government and four coming from the officers of affected industries or their shareholders. An Organization Committee of five members prepared the German law on the subject.

Controlled revenues (kontrollierte Einnahmen) (*Report*, p. 388, 403, 410-19, Protocol of August 8, 1924, Chap. III, p. 242). The control extends over the revenues from tobacco, alcohol, sugar, beer and customs taxes. The Commissioner of Controlled Revenues, Sir Andrew MacFadyean, former secretary general of the Reparation Commission, receives 80,000 gold marks per year. He is an appointee of the Reparation Commission as from October 1, 1924, and has under him a subcommissioner for each of the five controlled revenues. During the first two years Germany makes no budgetary payments, so that the controlled revenue income is simply reported. Beginning with the third year, one-tenth of the annual estimated receipts will be paid to the commissioner, who will remit five-sixtieths to the agent general, retaining one-sixtieth to form a reserve fund eventually to amount to 100,000,000 gold marks, after which the payments drop to one-twelfth of the annuity monthly. The commissioner will have extensive powers in case the payments are not forthcoming according to schedule. There is to be an Advisory Committee of five, one each of American, French, British, Italian and Belgian nationality.

Prosperity Index Committee (Komitee zum Wohlstandindex)

¹The appointees are M. de Peyster, French, M. Frérichs, Belgian, and Mr. Dudley-Ward, British.

(*Report*, p. 372, 434; Protocol of August 8, 1924, Chap. II, p. 240). This committee will not come into existence until it is necessary to determine the supplementary budget payment for the sixth plan year, 1929-30. It will consist of four members, two appointed by Germany and two by the Reparation Commission.

STEPS TOWARD OPERATION—RUHR RETIREMENT

Annex III to the London final protocol, being the Allied-German agreement of August 30, 1924, contains in Arts. 3 to 5, what amounts to a time-table of the entrance of the Experts' Plan into operation. This was conditioned upon the realization of the five points of the Reparation Commission's decision of July 15, which were repeated in Art. 1 of the Allied-German agreement. The detailed provisions for bringing the plan into full operation as given in Arts. 3 to 5 of the agreement, which are here reprinted with annotations, indicate when the various steps were actually taken:

ART. 3. (1.) Every effort shall be made to bring the Experts' Plan into full operation not later than October 22, 1924.

(2.) On September 2, 1924,¹ at the latest, the Reparation Commission ought to be in a position to announce that the German laws necessary for the working of the plan have been promulgated in the terms approved by it, and also that the Agent General for Reparation Payments has taken up his duties.

(3.) Within five weeks (35 days) from the date of this first announcement (*i.e.*, not later than October 7,² 1924), the commission should be in a position to announce that the other measures prescribed in its decision of July 15, 1924, mentioned in Art. 1, have been fulfilled.

The Reparation Commission shall have power if necessary to advance these dates if circumstances permit, or to postpone them so far as may be deemed indispensable for the complete fulfilment of the above provisions.

The French and Belgian Governments undertake to fulfil within a fortnight after the date of the second announcement (*i.e.*, by October 22,³ 1924), the program laid down in Art. 1 for the restoration of Ger-

¹The announcement was made on September 1 (*Le Temps*, September 3, p. 1).

²In accordance with a letter of the Agent General dated October 3, the date was postponed to October 13, in order to give time for the proper completion of the loan negotiations. The Commission's decision to postpone the date was taken on October 10.

³The date was advanced to October 28, as a result of the postponement of the second announcement. An ordinance of the Interallied Rhineland High Com-

many's fiscal and economic unity. They will notify the Reparation Commission of such fulfilment. The decision that the program has been fully executed will be taken by the Reparation Commission.

ART. 4. (a.) As soon as the first announcement referred to in Art. 3 (2) has been made (*i.e.*, on September 2, 1924), and during the transition period between the first and second announcements (*i.e.*, between September 2 and October 7, 1924), without waiting for the complete execution of the measures prescribed by the Reparation Commission in its decision of July 15, 1924, the French and Belgian Governments, being desirous of restoring in a large measure Germany's fiscal and economic unity as soon as possible, will take the following steps:

Eight days after the first announcement (*i.e.*, September 10,¹ 1924), the levy of duties on the eastern customs line (*i.e.*, the customs barrier between occupied and unoccupied Germany) will cease.

Twenty days after the first announcement (September 22),² and earlier if possible, the allied authorities will reduce as far as possible the restrictions imposed since January 11, 1923, on the movements of persons, goods and vehicles, especially between occupied and unoccupied Germany. Within the same period the French and Belgian Governments will have abolished the said eastern customs line and will apply solely the legislation and tariffs in force in unoccupied Germany to collections and charges of all kinds levied by them in the occupied territories, as well as to the régime for external trade, except so far as concerns the Franco-Belgian Railway Régie, which will continue to apply its own tariffs.

(b.) The aforesaid Governments will continue to levy the collections and charges thus adjusted, but will hand over to the Agent General for Reparation Payments the receipts accruing to them after the first announcement (September 2, 1924), from the application of the new régime, including the net profits from the Franco-Belgian Railway Régie, but less the monthly deduction of a lump sum of 2 million gold marks to cover the cost of collection during the transition period.

(c.) On its side the German Government will pay over to the Agent General for Reparation Payments during the transition period such monthly instalments as, added to the receipts above provided for, shall place at his disposal each month an amount equal to one-twelfth of the first annuity under the Experts' Plan, less the estimated receipts during the month from the operation of the British Reparation Recovery Act or corresponding measures which may be adopted by the other Allied mission laid down the conditions of the restoration (*Le Temps*, October 22, p. 6). The Reparation Commission's decision was taken on October 28.

¹The barrier was lifted on September 9 (*Le Temps*, September 5, p. 4).

²The ordinances removing restrictions were effective on September 21 (*Le Temps*, September 19 and 23).

Governments and the paper marks supplied to the armies of occupation. It is understood that the monthly burden to fall upon Germany during the transition period shall be one-twelfth of the first annuity of the global payment incumbent on Germany, as such global payment is defined in Sec. XI of the Experts' Plan; to such monthly burden is to be added each month during the transition period the 2 millions of gold marks mentioned above.

(d.) Payments toward the above-mentioned monthly sums will be made every ten days.

The first payment by Germany will take place on the date of the first announcement (September 2, 1924).

The first payment by the French and Belgian Governments will be made ten days later (September 12, 1924).

The first and second payments by Germany will amount to 20 million gold marks each. The third payment will consist of the balance of the payment to be made by Germany during the first month.¹

The subsequent payments by Germany shall be fixed by the Agent General for Reparation Payments and shall be such as to place at the disposal of the Agent General during each period of ten days one-third of the monthly instalment stipulated above, taking into account the payments made by the French and Belgian Governments and the receipts from the Reparation Recovery Acts, etc.

The payments by the French and Belgian Governments will only fall due in so far as the German Government has on its part effected its payments.

(e.) With the resources thus placed at his disposal the Agent General for Reparation Payments shall provide for the payment of reparation and other treaty charges during the transition period, in conformity with the decisions as to distribution which will be taken by the Allied and Associated Governments.

In particular he shall place at the disposal of the interested Governments the sums necessary

- (1.) To insure the complete financing of all agreements concerning deliveries in kind continued or entered into by them or by their representatives during the transition period, including the cost of the transport of the said deliveries, as provided by the treaty of Versailles;
- (2.) To cover the working expenses of mines and cokeries under allied management, including the cost of transport to the frontiers.

As a consequence of the above provisions and in order that the period during which German payments are made at the rate prescribed for the

¹The payment was 14,300,000 gold marks (*Le Temps*, October 2, p. 1).

first annuity shall not exceed one year, the period corresponding to the first annuity in the Experts' Plan will be reduced by a period equal to that of the transition period, and the second annuity will begin immediately thereafter (*i.e.*, September 2,¹ 1925).

ART. 5. Upon the second announcement (October 7,² 1924), the railway system of the Reich will be transferred to the new company contemplated by the Experts' Plan. As from that date the operation of all the lines now worked by the Deutsche Reichsbahn will pass to the said company. As from a fortnight after the second announcement (October 22,³ 1924), the lines now operated by the Régie will be worked on account of the company under the control of the Railway Organization Committee.

As soon as the present agreement has been signed, the Organization Committee will place itself in communication with the Régie in order to arrange the details of the transfer. The actual transfer from the Régie to the company will be made step by step under the control of the Organization Committee with as little delay as is compatible with an orderly transfer. It shall be completed within a period of six weeks (by December 7,⁴ 1924), the Organization Committee, however, having authority to grant extensions of time for the arrangement of details.

LEGAL AND ARBITRAL FEATURES

In dealing with the operation of the plan system, the first impression is that commercial and financial practice have been followed. This is far more important than the mere production of reparation. International agreements for monetary payments have heretofore depended upon good faith or international sanctions for their fulfilment. The German laws for carrying the plan into effect apply business methods and give them an international status. Probably the most far-reaching provision from this point of view is the declaration in the Industrial Burden Law that "this obligation is secured by a first mortgage in international law (an international obligation)." The Law on the Reich Railroad Company says the same thing in different language.⁵ The effect is to bring 16,000,000,000 gold marks of essentially government securities, to which all normal economic rules apply, under the rules of international law. Heretofore bond issues have had no specific recognition in international law.

¹To be September 1, 1925. ²October 13. ³October 23.

⁴November 15-16. For formal letters exchanged see *Le Temps*, November 17, p. 4.

⁵*Reichsgesetzblatt*, August 30, 1924, p. 257 (§1) and p. 272 (§4).

One of the surest buttresses of the system is the universal application of arbitration to all differences respecting the agreements. It is unlikely that any dispute of consequence will be brought to arbitration. The very necessity of providing for that method of settling differences arose from the conviction that reparation must be eliminated from political relations and remitted to the economic field, where it belonged. That conviction enabled the negotiators of all the agreements, starting with the formulation of the Experts' Report, to face every possibility squarely and honestly and to try and solve it. The differences that are likely to arise are the inevitable ones regarding interpretation of the documents, including their applicability to new or unforeseen circumstances. New and complementary agreements are more to be looked for than active arbitration.

Nevertheless, the operation of the system will undoubtedly bring resort to arbitration, enabling every one concerned to deal with texts clearly defined. Moreover, the Reparation Commission's agreement with the German Government to arbitrate, and the designation of an American as the arbitrator, together with the addition of an American arbitrating member to the Reparation Commission for its deliberations "on any point relating to the report," changes the whole character of the reparation question. This reorganization of the commission makes that body nearly what it was intended to be at the start, with a neutral (American) element in it.

Provision for arbitration in the system is made in the following cases:

1. Between the Reparation Commission and the German Government for interpretation of the agreement of August 9, 1924, its schedules, the Experts' Plan, or German legislation in execution of the plan by three arbitrators, one representing each, the third jointly chosen (Agreement, III, b, p. 238);

2. The committee to decide the details of the index for computing the supplementary budgetary contributions from 1929-30 on is to consist of two German and two Reparation Commission members. In case they fail to agree, or a controversy develops, the Financial Committee of the League of Nations will be requested to appoint a president (Protocol concerning contributions, August 8, Chap. II, 8, p. 242);

3. Any difference between the Commissioner of Controlled Revenues and the German Government shall be arbitrated (*ibid.*, Chap. III, 14, p. 249);

4. The Transfer Committee is free to arrange for payments by deliveries in kind as a method of remitting credits. In default of agreement between the Reparation Commission and the German Government upon the programs, arbitration is to take place by a board in which each is represented by one member and the third, an American, chosen jointly. (Allied-German agreement concerning agreement of August 9, 2, d, i, p. 252);

5. The management of orders for deliveries in kind is intrusted to a special committee of three allied and three German representatives, with power—which it has exercised—to coopt a neutral additional member (*ibid.*, 3, p. 254);

6. Differences between the Transfer Committee and the German Government are referable to a single arbitrator, chosen by agreement (*ibid.*, 4, p. 254);

7. The Transfer Committee consists of six members. If it is equally divided as to the question of German "concerted financial maneuvers . . . for the purpose of preventing such transfers"¹, a financial expert selected by the committee shall decide between them (*ibid.*, 5, par. 1, p. 255);

8. If the Transfer Committee has decided by a majority that financial defeatist maneuvers have not taken place when the funds have accumulated to 5,000,000,000 gold marks, the minority may appeal to an arbitral tribunal of three experts, the chairman being American (*ibid.*, 5, par. 3, p. 255);

9. Any interested Government (Allied or German) may propose an improvement in the plan, which proposal shall be examined by the chief officials under the plan. If the Reparation Commission accepts their recommendation unanimously. Germany shall be invited to accept its decision. If the commission is not unanimous or Germany does not accept the decision, any interested party may submit the question to three experts chosen by agreement between the Reparation Commission and the German Government (*ibid.*, 6, par. 4, p. 256);

10. German-Allied commissions of arbitration² are established

¹Report, Annex No. 6, VIII, *Reparation*, Pt. V, p. 469.

²On these committees see *Le Temps*, December 7, 1924, p. 2

by the Governments concerned to decide any disputes between allied merchants and the German authorities owing to the change of régime in the Ruhr (Allied-German agreement, August 30, Art. 8, p. 260);

11. All disputes respecting German steps to bring the Experts' Plan into force, allied restoration of the fiscal and economic unity of Germany in accordance with the plan and the stages of operation of the plan, if not settled by negotiation, shall be submitted to the Permanent Court of International Justice (*ibid.*, Art. 9, p. 260);

12. Failure of the Reparation Commission to agree upon the American to sit with it shall be overcome by reference to the president of the Permanent Court of International Justice (treaty of Versailles, Part VIII, Annex II, 2a, revision by inter-allied agreement, August 30, Art. 1, p. 262);

13. If the Reparation Commission should declare Germany in default by majority vote, any member of the commission participating in the vote may appeal to an arbitral committee appointed in advance for five years by unanimous decision of the commission. The president of the arbitral committee is to be American (*ibid.*, Art. 1, revising Versailles, Part VIII, Annex II, 16a, p. 262);

14. Sanctions in case of German default are to be imposed only when within the meaning of the Experts' Plan and the interallied agreement of August 30. Any disputes between Allied Governments on this question, if not settled by negotiation, shall be submitted to the Permanent Court of International Justice (*ibid.*, Arts. 2 and 4, p. 263);

15. Any dispute over security for the service of the German 1924 external gold loan, safeguarding of that security in case of sanctions, its absolute priority as regards German resources and resources arising from sanctions taken—in so far as these questions arise between Allied Governments—shall, if not settled by negotiation, be submitted to the Permanent Court of International Justice (*ibid.*, Arts. 3 and 4, p. 263);

16. Any difference in the Reparation Commission itself or between the Allied states as to interpreting the finance agreement of January 14, 1925, or action under it shall be referred to a single arbitrator selected unanimously by the commission (Finance agreement, Art. 26, par. 1, p. 290);

17. Any difference with the United States under that agreement shall be referred to an arbitrator agreed upon between the United States and Reparation Commission acting unanimously (*ibid.*, Art. 26, par. 2, p. 291);

18. Any dispute between the German Government or the Bank for German Industrial Obligations on the one side and the Reparation Commission or the trustee on the other shall be submitted to a single arbitrator, appointed in advance for five years. He may associate with himself two other arbitrators (Industrial Burden Law, § 69, *Reichsgesetzblatt*, August 30, 1924, p. 268);

19. Differences between the Reparation Commission or representatives of Allied Governments or the trustee or the railroad commissioner on the one side and the German Government and the German Railroad Company or both on the other, or between the Government and company shall be submitted to an arbitrator named by the president of the Permanent Court of International Justice (German Railroad Law, § 45). A special German court is also set up for disputes between the Government and the company (*ibid.*, § 44, *Reichsgesetzblatt*, August 30, 1924, p. 279).

In all instances where arbitrators are to be selected by designated bodies or persons, except the cooptation under No. 5, the selection is to be made by the president of the Permanent Court of International Justice if the method provided fails to yield a choice.

REPARATION RECOVERY ACT ADJUSTMENT

The only difficulty encountered in putting the plan into operation has arisen in connection with the reparation recovery acts. These acts were passed by creditor states in 1921, and the British one has been operated continuously, yielding reparation payments of some consequence. The principle of the acts is that the allied importer of German merchandise pays into his own Government a fraction of its value,¹ the German exporter looking to his own Government for reimbursement. The principle was recognized in the Schedule of Payments of May 5, 1921, Art. 9, by the Dawes Report and other essential documents.

On November 14, 1924, the Agent General for Reparation Payments addressed the following notice to the German finance minister:

¹The standard deduction is 26%.

. . . I have the honor to inform you that the Agent General for Reparation Payments will not credit the German Government on account of the annuity with any sums which may be paid to exporters, in reimbursement of deductions made from their invoices on and after December 1, 1924, because of any reparation recovery acts.

Any sums that may be required for the foregoing purpose will be paid only by the agent general if, and to the extent, authorized by the Transfer Committee.

The Transfer Committee at its meeting on October 31, 1924, authorized the agent general to make payments under the reparation recovery acts until further action by the committee.

In September, 1924, Great Britain secured 11,236,000 gold marks under her act, out of total German payments of 83,510,000. In October, payments under the British act amounted to 18,520,000 gold marks, nearly 21% of the total German payments of 86,203,000. France brought her reparation recovery act into effect on October 1, 1924, and in that month received 501,000 gold marks under it. Inasmuch as the whole plan, so far as the creditors are concerned, depends upon the ability of the Transfer Committee successfully to transfer German payments across the barrier of exchange, it seemed clear to the plan officials that such considerable payments would sooner or later present a problem. The German Government was interested in at least simplifying this method of indirect and uncertain taxation, while it had a right under the plan to claim exclusive dealings with the agent general, on whose receipt of a payment Germany's obligation ceases. When France put its act into operation Germany stated that the general application of the acts would have the effect of making this "tax a payment of uncontrolled values with all the unfavorable results this would have on the German financial balance and, in consequence, upon German exchange."¹

The fall of 1924 witnessed active negotiations of treaties of commerce and navigation on a normal basis with the German Government, in view of the coming expiration on January 10, 1925, of Arts. 272-274 of the treaty of Versailles. The British Government completed its treaty with Germany on December 2, 1924.² Annexed to that treaty is a letter of Sir Otto E. Niemeyer

¹For correspondence of September 26-29, 1924, see *Le Temps*, October 3, 1924, p. 6.

²Germany, No. 1, 1925, Cmd. 3245.

to Herr von Schubert, dated November 28, in which it is stated that "the British have no desire to retain the act for its own sake." The difficulty in adopting any other procedure was due to the fact that the reparation recovery act had a recognized position in the scheme of reparation payments; a system of deliveries in kind in substitution for it, in the British view, must be considered as payments under the reparation recovery act, so as to insure its position in the general scheme. Receipts under the recovery act are exempt from the charge for Belgian priority and for United States army of occupation costs. An alternative procedure would have to extend those privileges to receipts under it. The British Government was willing to use its good offices to secure the consent of the agent general and the Transfer Committee to an alternative procedure under those circumstances.

As between the British and German Governments, the matter was settled by an agreement signed at Berlin on April 3, 1925, suspending the recovery act and providing for equivalent payments by Germany. The system entered into force on May 1, 1925, and involves the turning over to the Reichsbank of 30% of the invoiced value of exports by not less than 800 of the principal German exporting firms doing business with Great Britain. Out of the sums thus surrendered, the Reichsbank will deposit each month to the account of the agent general at the Bank of England, an amount in sterling equivalent to the Reichsmark credit available for payments under the recovery act, the German exporters being reimbursed by the Agent General for Reparation Payments. Any surplus sterling will be surrendered monthly to the Devisenbeschaffungsstelle G. m. b. H. (the agency through which the German Government obtains its foreign currencies) to be placed in a special reserve fund amounting to 10,000,000 Reichsmarks.¹ An Order in Council of April 8 suspended the reparation recovery act as from April 10.

THE EXTERNAL LOAN

The Experts' Plan provided for the German external loan, which had been the fundamental point of all German proposals for reparation settlement since their Observations on the Con-

¹Agreement between Great Britain and Germany for amending the method of administering "the German Reparation (Recovery) Act, 1921," Great Britain, Treaty Series No. 20 (1925). Cmd. 2384.

ditions of Peace were addressed to the president of the Paris Peace Conference on June 16, 1919.¹ The experts defined the loan "as an integral part of our scheme," and specified that its principal uses were "for the successful establishment of the new bank and to insure the stabilization of the currency."²

Since this loan was to be placed upon the financial markets, the representatives of the banking syndicates which would be called upon to sell it to the public were present at London during the conference. An incident that seemed very critical to French observers in Paris occurred on that account. The French public followed the proceedings of the London conference with an eye single to the priority and amount of their claims. The banking experts at London, having been consulted upon the question of floating the loan, insisted upon it having a first priority on the receipts. The Nationalist French press argued that such insistence placed the investing public in a more favorable position than France, the principal reparation creditor. The original banking judgment came from the Americans and British, and it was not until the French bankers went to London and joined their colleagues that the way was opened for the proper protection of the investor. The conference passed a resolution embodying its decision on August 16 in the following terms:³

It is agreed that the putting into execution of the Dawes scheme and the arrangements for that purpose embodied in the present agreement depend on the issue of a loan of 800,000,000 gold marks for the purposes of the plan, and are conditional on the said issue.

The Allied Governments, desiring that this loan should be successfully raised, and contemplating that the loan will be a first lien on the security pledged thereto, will invite the central banks in their respective countries to use their good offices to facilitate the placing of the loan.

The Reparation Commission in preparation for the loan passed a resolution on October 13, 1924, declaring its services superior in priority to every other charge on the assets and revenues of Germany and German states, German controlled revenues and all receipts of the Reparation Commission. At the same time, Seymour Parker Gilbert, Jr., the Agent General for Reparation

¹International Conciliation, No. 143, p. 116. ²Reparation, Pt. V, p. 391.

³Proceedings, p. 320.

Payments, Nelson D. Jay and C. E. ter Meulen were appointed trustees for the bondholders of the loan.¹

The conclusion of the contracts for the loan was the fifth and last condition laid down by the Reparation Commission in its decision of July 15 for declaring the Experts' Plan in operation. The loan itself was dated October 15, 1924. The bonds were issued on all available financial markets, and in one instance were over-subscribed more than 100 times. The loan is in the form of 7% gold coupon bonds, in denominations of \$1,000, \$500 and \$100, and corresponding amounts in sterling, Swedish crowns and Italian lire. The sinking fund provides for the complete extinction of the loan by October 15, 1949, amounting annually to 1/25th of the issue, redemption being by lot at 105% and accrued interest. The annual service of interest and amortization chargeable to the plan will not exceed about 91,500,000 gold marks. The loan was issued at 92 on eight markets, in which the offerings taken and their equivalent in Reichsmarks were as follows:²

		Reichsmarks
New York	\$110,000,000	461,780,000
London	£12,000,000	245,148,000
Paris	3,000,000	61,287,000
Zurich	3,000,000	61,287,000
Amsterdam	2,500,000	51,072,500
Brussels	1,500,000	30,643,500
Stockholm	Kr. 25,200,000	28,350,000
Rome	Lire 100,000,000	20,429,000
Total		959,997,000

After meeting all expenses and accounting for exchange variations, the German Government received 805,418,950 gold marks from the loan. At the end of March, 1925, it was officially stated that the total national debt of Germany at the end of 1924 amounted to 2,724,349,198 gold marks, omitting the newly valorized paper mark loans. Of the total stated, 944,100,200 marks represented the reparation external loan.³

¹*Le Temps*, October 15, 1924, p. 1, and October 14, 1924, p. 6.

²National City Bank, *Economic Conditions*, etc., January, 1925, p. 19.

³New York *Times*, March 30, 1925. The paper mark debts amounted on December 31, 1924, to 1,203,457,250,000 marks. Currency issued previous to August 30, 1924, is redeemable at one German billion paper marks to one Reichsmark.

The sinking fund provision reduces the burden of the loan each year. The first year's indicated charge to the German treasury is 67,200,000 marks for interest and a sinking fund of 38,400,000, increased by 5%, or 1,920,000, giving a total treasury charge for the year ending October 15, 1924, of 107,520,000. In the second year, the interest charge on outstanding bonds would amount to 64,512,000, with the sinking fund redemption 40,320,000, as before, making a total cost of 104,832,000. The interest charge saved on the annual sinking fund redemption is 2,688,000 gold marks. It will be a matter of six years before the whole sum required for interest service and amortization falls within 91,500,000 gold marks, which is the maximum loan charge against the Experts' Plan. It is understood that the difference will be a direct charge on the German budget. It was decided by the financial experts at Paris that the loan charge against the Experts' Plan¹ will be made at the rate of 91,000,000, 90,000,000, 89,000,000, and 88,000,000 gold marks for the first four years, but that the charge in the first year of the plan, owing to the incidence of due dates, is 80,000,000.

"The proceeds of the loan are deposited in the Reichsbank to the credit of a special account in Reichsmarks in the name of the Reichsbank and under the control of the agent general. The agent general has the sole power of drawing on this account and makes transfers of the requisite amounts from time to time to his regular disbursing account, the German Government being credited on the annuity with the gold-mark value of the Reichsmarks thus transferred, on the date of transfer."²

INDUSTRIAL DEBENTURES

The organization for handling the industrial debenture bonds early met the complications of modern commercial affairs. The first step in producing the 5,000,000,000 gold marks of debenture bonds called for by the plan, was the passage of the German law of August 30, 1924, providing for a form of capital levy upon the industries called upon to contribute.³ That law imposes the "obli-

¹*L'Europe nouvelle*, January 24, 1925, p. 119.

²Agent General, press communiqué, no. 6.


³The Organization Commission consisted of Herr Trendelenberg, secretary of state in the ministry of public economy, as the German Government representa-

gation of contribution upon "industrial and commercial enterprises, including mining concerns, shipping undertakings, private railroads, narrow gauge and street railways." The obligation assumed involves the meeting of both interest and sinking fund. The whole amount is prorated among various industries, of which the principal percentages are:

Heavy industry ¹ (mining, iron and steel)	20%
Machine and electric industry	17%
Chemical industry	8%
Textile industry	7%

For the purpose of collecting and marketing the contributions of the companies there has been organized the Bank für deutsche Industrie-Obligationen, with a capital of 10,000,000 gold marks and with offices in Berlin. This bank deals with the German Government and the German industries on the one side and with the trustee of industrial debentures and the Reparation Commission on the other. In case of dispute between them, an arbitrator is provided for. Under the law he has been designated in the person of Marcus Wallenberg, the Swedish banker.

The remission of the whole quantity of bonds on February 28, 1925, was reported to the Reparation Commission by M. Nogara, trustee, in a telegram which reads as follows:²

The Trustee for German Industrial Obligations and the Bank for German Industrial Obligations have received, jointly on deposit, under today's date, February 28, the 5,000,000,000 gold marks 5% bonds in their names issued by the industrial enterprises, in conformity with the provisions of the Dawes Plan. At the same time, the bank, also in execution of the Dawes Plan, proceeded to the issuance of 5,000,000,000 gold marks 5% industrial bearer bonds, transmitting 4,250,000,000 of these bonds to the trustee, and retaining on deposit the remainder of \$750,000,000, which will be used for the subsequent operations contemplated by the Dawes Plan. 

tive, and Herr Bucher, privy counsellor, as the representative of German industry, Albert Descamps, manager of the Banque générale du Nord and president of the Lille Chamber of Commerce, and Dr. Alberto Pirelli, manufacturer, for the Reparation Commission, with Marcus Wallenberg of Sweden as the fifth member.

¹The Siemens and Halske heavy industries, in financial advertisements in the United States, have stated that their annual charges will not exceed a maximum of \$941,000.

²*Le Temps*, March 4, 1925, p. 1.

To complete the total amount of 5,000,000,000 gold marks, which constitutes the total amount of the contribution of German industries in payment of reparation, the bank forthwith proceeded to the exchange of 750,000,000 gold marks of the obligations of the great industrial enterprises, issued in its name, against a like amount of 5% bearer obligations of the same enterprises, and will remit the latter to the trustee.

The protocol relative to these operations has been signed by a representative of the German Government, a representative of the debt administration of the Reich, the trustee and the president of the Board of Directors of the Bank, M. Krupp von Bohlen und Halbach. As a result of the signing of this protocol, all of the engagements of Germany up to February 28, 1925, with regard to industrial obligations are completely fulfilled.

BANK AND RAILROAD COMPANY

Both the German Railroad Company and the Reichsbank were fully provided for in annexes to the Experts' Report, though numerous technical details remained to be solved. In neither case were the difficulties other than professional.

The Reichsbank was organized under a German law of August 30, 1924,¹ which had been worked out by the Organization Committee. The Reparation Commission on April 30, 1924, appointed Sir Robert M. Kindersley, G.B.E., president of Lazard Brothers, Ltd., director of the Bank of England, governor of the Hudson's Bay Company and president of the National Savings Committee, as its member of that committee. Herr Schacht, president of the Reichsbank, represented Germany.²

In accordance with the provisions of the plan, a law on private banks of issue, establishing the position of certain institutions within the Reich, was passed at the same time as the Reichsbank law. These additional banks of issue are the Bavarian Bank of Issue of Munich, the Saxon Bank of Dresden, the Württemberg Bank of Issue of Stuttgart and the Baden Bank of Karlsruhe. The law provides that the German Government may after January 1, 1935, modify the privileges of these banks.³

Another banking law provided for the liquidation of the gold discount bank in accordance with the stipulations laid down

¹*Reichsgesetzblatt*, August 30, 1924, p. 235. ²*Le Temps*, May 5, 1924, p. 4.

³*Reichsgesetzblatt*, August 30, 1924, p. 246.

in the Experts' Report. This Rentenbank has been merged into the Reichsbank by an exchange of shares, while the Rentenmarks which had been issued are gradually being withdrawn from circulation at par.¹

A fourth fiscal law established the present Reichsmark currency, which has remained notably stable and very close to par since its appearance.²

Since its operation, the Reichsbank has steadily acquired gold as cover for the currency.

The German Railroad Company was organized under the German law of August 30, 1924, in accordance with the plan of the organization committee, which consisted of Herr Bergman, former minister, and Herr Vogt, secretary of state in the railroad ministry, on the part of the Germans, and Sir William A. Acworth and G. Lerverve on the part of the Reparation Commission. The company operates 33,000 miles of line, and is capitalized at 26,000,000,000 gold marks, against which there is 11,000,000,000 gold marks of a reparation issue. The law says the company will cease to operate on December 31, 1964, or 41½ years after its establishment. During the first reparation year the company pays into the agent general, 200,000,000 gold marks. The first semi-annual payment was made on February 28. In the second and third years, the payments rise to 500,000,000 gold marks. In the fourth year, 1927-1928, and thereafter, the payment will be 660,000,000 gold marks, being 5% interest on the reparation issue and 1% sinking fund, amortizing in a little more than 37 years. M. Lerverve is the trustee of the bonds on behalf of the plan.

The Board of Directors of the company met first on September 27, 1924, and elected Karl Friedrich von Siemens, president; Secretary of State Stieler, first vice president; and Sir William A. Acworth, second vice president. Herr Oeser was elected general manager for three years. The permanent committee, six members of the board, is composed of Messrs. von Siemens, Stieler, Acworth, Bergman, Fischer and Arnhold.³

¹*Reichsgesetzblatt*, August 30, 1924, p. 252.

²*Reichsgesetzblatt*, August 30, 1924, p. 254.

³*Le Temps*, September 29, p. 1.

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