





PAPERS RELATING TO  
INTERNATIONAL ECONOMIC  
CONFERENCE, GENOA,  
APRIL—MAY, 1922.

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*Presented to Parliament by Command of His Majesty.*

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## INTRODUCTION.

At the first Plenary Session of the Conference, held on the 10th April, 1922, it was decided to appoint four Commissions to deal with the various questions set out in the Agenda.\* The subjects were allotted to the several Commissions as follows:—

No. 1 Commission—Items 1, 2 and 3, namely,

1. Examination of the methods of putting into practice the principles contained in the resolution reached at Cannes on the 6th January, 1922.
2. The establishment of European peace on a firm basis.
3. Essential conditions for re-establishment of confidence without injury to existing treaties.

No. 2 Commission—Item 4, namely,

Financial subjects.

- (a) Currencies.
- (b) Central banks and banks of issue.
- (c) Public finance in relation to reconstruction.
- (d) Exchanges.
- (e) Organisation of public and private credit.

No. 3 Commission—Item 5, namely,

Economic and commercial subjects.

- (a) Facilities and guarantees for the import and export of commercial products.
- (b) Legal guarantees for the re-establishment of commerce.
- (c) Protection of industrial property and copyrights.
- (d) Status of consuls.
- (e) Admission and position of foreigners in regard to the conduct of business.
- (f) Technical assistance to industrial reconstruction.

No. 4 Commission—Item 6, namely, Transport.

The following documents are set out under the titles of the respective Commissions to whose work they relate.

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\* The Agenda referred to is the Outline Agenda approved at the Cannes Conference and published in Cd. Paper 1621 of 1922, pages 4 and 5.

# PART I.—FIRST COMMISSION.

## A.—Documents relevant to discussions with Russian Delegation.

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### 1.—London Experts' Report prepared prior to the Conference.

The economic and financial experts of the Powers responsible for the summoning of the conference at their meeting for the exchange of views, after examining together a number of suggestions and schemes, have prepared draft resolutions embodying the ideas and proposals which met with general acceptance.

The drafts are set forth in the pages of this report arranged under the following headings :—

#### PART I.—RUSSIA.

Section I.—Preamble.

Section II.—Conditions under which foreign enterprise and capital can be enlisted for the restoration of Russia.

Chapter I.—Liquidation of past obligations.

Chapter II.—Provisions for the future.

Section III.—Measures by which the speedy recovery of Russia would be facilitated.

#### PART II.—RESTORATION OF EUROPE.

Section I.—Financial provisions.

Section II.—Economic provisions.

Section III.—Transport provisions.

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#### PART I.—RECONSTRUCTION OF RUSSIA.

##### SECTION I.—*Preamble.*

The question of Russia has been approached both from the point of view of what is equitable and from the point of view of what is necessary for the economic restoration of Russia.

The economic restoration of Russia is largely dependent upon her enlisting the support of foreign enterprise and capital. Without a considerable transformation of the prevailing conditions which affect particularly trade and industry, foreigners will be reluctant either to return to their former undertakings or to start fresh undertakings. So long as precarious and unstable conditions continue, only speculators will be willing to venture on trade, and there is a fear that the chief result would be, not the reconstruction, but the exploitation of Russia and the Russian people, which it is the purpose of the Governments represented at Genoa to avoid.

Effective co-operation between Russia and other European countries will be difficult to realise unless a determination is shown in Russia to set to work whole-heartedly to restore the economic life of Russia. The foundation is agriculture, and here, no less than elsewhere, security both in respect of holdings and of the disposal of crops is an essential pre-requisite of revival. Once this security is realised, there is no doubt that foreign help will be forthcoming in the shape of agricultural implements and loans.

In the industrial sphere it is even more apparent that revival cannot be expected in the absence of foreign assistance and capital, which will only become available when the goodwill and co-operation of the Russian Government can be relied upon. Active measures will be necessary for the protection and liberty of action of employers, their employees, and for the protection of their industrial operations and their capital, combined with the right to hold the movable and immovable property necessary for the conduct of business and with the liberty to import what is requisite and to dispose of the products of their undertakings. Much the same may be said of transport, in which case foreign firms will have to be relied upon for the furnishing of material and plant, including fresh rolling-stock, and the setting up of repair shops; and it needs no emphasis that the reorganisation of transport is essential to the industrial and agricultural recovery of Russia.

The question of the instrument by which effect could be given to these conditions and to contingent provisions has not been considered, nor the relation of any such instrument to existing trade agreements with Russia. These, with certain other questions, have been reserved as political. Indications are given in the drafts which follow of some of the points reserved.

## SECTION II.—*Conditions under which Foreign Enterprise and Capital can be enlisted for the Restoration of Russia.*

The section is divided into two chapters:—

Chapter I.—Liquidation of past obligations.

Chapter II.—Provisions for the future.

### CHAPTER I.

*Note.*—It will be understood that the proposals drafted relating to claims (articles 1-7 and the annexes) are without prejudice to any advice which Governments may think fit to obtain from the parties interested in the settlement, whether as being entitled under contracts with former Russian Governments or as having suffered loss since the events of 1917.

### ARTICLE 1.

The Russian Soviet Government shall accept the financial obligations of its predecessors, viz., the Imperial Russian

Government and the Russian Provisional Government, towards foreign Powers and their nationals.

*Note.*—The question whether the title “ Russian Soviet Government ” applies only to the Soviet Government at Moscow or should include all other Soviet Governments in Russia is a political one which it is for the Governments to decide. Similarly, no precise definition is attributed to the words “ Russia ” and “ Russian.”

The same applies to the question whether, and, if so, to what extent, new States which have been recognised as such and which were formerly part of Russia, as well as States which have acquired part of the former territory of Russia, should undertake part of the obligations dealt with in these provisions.

#### ARTICLE 2.

The Russian Soviet Government shall recognise the financial engagements entered into before this date by all authorities in Russia, provincial or local, or by public utility undertakings in Russia, with other Powers or their nationals, and shall guarantee the fulfilment thereof.

#### ARTICLE 3.

The Russian Soviet Government shall undertake liability for all actual and direct losses, whether arising out of breach of contract or otherwise, suffered by nationals of other Powers, due to the action or negligence of the Soviet Government or its predecessors or of any provincial or local authorities, or of an agent of any such Government or authority.

#### ARTICLE 4.

The liabilities under the preceding articles will be determined by a “ Russian Debt Commission ” and by “ Mixed Arbitral Tribunals ” to be set up. A scheme for the establishment of these bodies is contained in Annexes I and II. They shall determine the amount and method of payment to be made, whether by way of compensation or otherwise as laid down in Annexes I-III.

#### ARTICLE 5.

All inter-governmental debts, liabilities and obligations of every sort which arose between the Russian Government on the one hand and a foreign Government on the other hand after the 1st August, 1914, shall be considered to be completely discharged by the payment of the net sums laid down in a schedule to be agreed.

#### ARTICLE 6.

Without prejudice to the provisions of article 116 of the Treaty of Versailles, the net sums fixed under article 5 shall take

into account all claims by Russian nationals for loss or damage arising directly from hostile military or naval operations, or from other operations of a similar nature and any other claims specified at the time of the adoption of the schedule referred to in article 5.

#### ARTICLE 7.

Balances standing to the credit of a former Russian Government in any bank situate in a country the Government of which made advances to a former Russian Government between the 1st August, 1914, and the 7th November, 1917, shall be transferred to the Government which made the advances, and the liability of the Russian Soviet Government in respect of the advances shall be *pro tanto* reduced.

The transfer provided for in the preceding paragraph shall not prejudice the rights of third parties.

This article shall also apply in the case of any country the Government of which has assumed responsibility for any Russian Government loan floated in that country in the period named.

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#### ANNEXES.

*Note.*—With regard to the security on which the Russian debt is in future to be charged, two solutions have been put forward by different delegations. They are shown, where necessary, in parallel columns in Annexes I-III. Agreement has not been arrived at in favour of either of these two solutions or of any of the numerous intermediate solutions which might be devised.

#### ANNEX I.

##### *Russian Debt Commission.*

1. A Russian Debt Commission shall be established consisting of members nominated by the Russian Government and members nominated by the other Powers, together with an independent chairman chosen from outside by agreement among the other members, or, in default, named by the League of Nations, either through the Council or through the Permanent Court of International Justice.

2. The commission will have the following functions:—

- (a) To constitute and prescribe the procedure of the Mixed Arbitral Tribunals, to be set up in accordance with the provisions of Annex II, and to issue such instructions as may be necessary in order to secure uniformity in their proceedings.
- (b) To issue new Russian bonds in accordance with the provisions of Annex II to persons entitled thereto, under awards of the Mixed Arbitral Tribunals, to

holders of existing State bonds and other bonds and stock for which the new Russian bonds are to be given in exchange, and to persons entitled thereto in respect of funded interest and repayment of capital. The rate of interest adopted for the purpose of calculating the present value of claims shall be the same as that prescribed under Annex III, paragraph 2.

- (c) To determine all questions arising out of the issue, rates of interest and terms of redemption of the new Russian bonds referred to in paragraph (b).
- (d) Nil.

(d) To determine, if necessary, among the revenues of Russia, those which should be specially assigned to the service of the debt, for example, an allocation of certain taxes or of royalties or dues upon undertakings in Russia.

Should occasion arise to control, if the commission thinks fit, the collection of all or part of these assigned revenues, and to deal with the proceeds.

These assignments and this control (if imposed) should cease as soon as the Russian debt service appears adequately assured by the inclusion of the appropriate sums in the Russian budget.

## ANNEX II.

### *Determination of Claims.*

1. The liabilities of the Russian Government under articles 1 to 3 shall be assessed in accordance with the following principles :—

2. The responsibility for claims provided for in article 3 shall be determined by the Mixed Arbitral Tribunals in accordance with the provisions of this report, and in default with the general principles of international law.

3. Russian Government bonds in foreign currencies will be revived with all the conditions of the contract, but interest and repayment of capital due from the date when payments ceased until [the 1st November, 1927] will be funded.

and the bonds will be secured in the same way as the new Russian bonds in accordance with Annex III, 5.

4. Provincial, municipal, railway or public utility bonds in foreign currencies will be revived with all the conditions of the

contract, but interest and repayment of capital due from the date when payment ceased until [the 1st November, 1927] will be funded. All such bonds shall be guaranteed by the Soviet Government whether guaranteed by any former Government of Russia or not.

and the bonds will be secured in the same way as the new Russian bonds in accordance with Annex III. 5.

5. Russian Government rouble loans or provincial, municipal, railway or public utility bonds issued in roubles will, if proved to have been continuously in foreign ownership since the date of repudiation by the Russian Government, be exchangeable into new Russian bonds.

The present value of the obligations in respect of capital and interest embodied in the original bond, in so far as they have not been fulfilled, shall first be calculated in roubles, and then converted into the foreign currency at the rate determined in paragraph 16. The present value of the new bond should be equal to the present value in the foreign currency of the original bond, interest being calculated at the rate to be prescribed under the provisions of Annex III, 2.

6. New Russian bonds will be issued in respect of funded interest and capital due for repayment between the date when payment ceased and [the 1st November, 1927].

7. Claims not provided for under paragraphs 3 to 5 of this annex in respect of injury to property, rights and interests shall, subject to any agreements between the Soviet Government and such of the other Powers as may be concerned, be dealt with on the following principles :—

Claimants will be entitled to demand the return of the property, rights and interests.

If the property, rights or interests are still in existence and capable of identification, they will be returned and compensation for their use or for injury thereto during the dispossession will, in default of agreement between the Soviet Government and the private party concerned, be settled by the Mixed Arbitral Tribunals. Agreements for concessions in relation to public utility undertakings shall be modified so as to be brought into harmony with present economic conditions, for example, as regards charges, duration of concessions and conditions of operation.

If the property, rights and interests are not still in existence or cannot be identified, or the claimant does not desire their return, the claim may, by agreement between the Soviet Government and the private party concerned, be satisfied either by the grant of similar property, rights or interests, coupled with compensation to be agreed, or, failing agreement, to be fixed by the Mixed Arbitral Tribunals, or by any other agreed settlement.

In all other cases claimants shall be entitled to compensation on a monetary basis, to be fixed by the Mixed Arbitral Tribunals.

*Note.*—In the opinion of the experts, it may be necessary to add some condition in the case of claims for destruction, loss or damage of property, rights or interests which were acquired subsequent to the events of 1917. It might be desirable to give the Mixed Arbitral Tribunals a discretion, in some case at any rate, to take the matter into account when they are satisfied that the price at which the property was acquired renders payment of compensation on the basis of the full value of the property inequitable.

8. The tribunal, in assessing compensation, shall take account primarily of the actual value in roubles of the property, rights or interests at the 1st November, 1917, but may make allowance for any temporary and special circumstances which may at that time have materially affected the value.

9. Where a debtor is entitled, or, if he had been a national of one of the other Powers, would have been entitled, to claim compensation under Chapter I, the creditor may (whether the debtor has claimed compensation or not) make a direct claim against the Soviet Government in respect of the loss arising from his unpaid debt instead of against the debtor.

Any property restored in accordance with paragraph 7 shall be subject to any charges or obligations attaching thereto upon the 1st November, 1917, without prejudice to the rights of creditors to make a direct claim against the Soviet Government.

10. Any liability met by the Soviet Government under the preceding paragraph will be set off against the compensation payable to the debtor; but if the Soviet Government has already paid the compensation to the debtor, it may recover from the debtor the amount paid to the creditor, but the liability of the former may be discharged in new Russian bonds.

11. Russian financial, industrial and commercial companies, which on the 1st November, 1917, were controlled by nationals of other Powers, or in which at the same date such nationals possessed a substantial interest, shall, if the majority of the foreign interests (shareholders and bondholders) so desire, be covered by the term "nationals of other Powers" wherever used in Chapter I and the annexes.

12. In cases in which a claim is not made under the preceding paragraph or other provision of this chapter or its annexes any national of the other Powers who is a shareholder in any Russian company whatever may claim compensation in accordance with Article 3 for the injury done to his holding in the company.

13. Claims, excluding those referred to in paragraphs 3-5 above, but including claims for monetary compensation arising from death or personal injury, shall be referred by the commission for adjudication and assessment on a monetary basis as promptly as possible by Mixed Arbitral Tribunals.

14. All claims shall be registered with the Russian Debt Commission, and options shall be exercised within one year from the establishment of the Commission or such longer period as may be permitted by the Commission for particular cases or classes

of cases. The Russian Soviet Government shall not be liable in respect of any claim not registered within the prescribed period.

15. No claim shall be recognised in respect of rights which had ceased legally to exist before March, 1917.

16. The rates of conversion between paper roubles and the various foreign currencies will be fixed by the Russian Debt Commission at the time of issuing the new Russian bonds. For this purpose the Commission will first ascertain the average gold value of the rouble in October, 1917, and will then calculate the equivalent of that gold value in each of the foreign currencies at the time of the issue of the bonds.

17. Interest at the rate prescribed under paragraph (2) of Annex III shall accrue as from the 1st November, 1917, on all amounts awarded by the tribunal.

### ANNEX III.

#### *New Russian Bonds.*

1. All accepted claims for monetary compensation against the Russian Soviet Government will be met by the issue of new Russian bonds up to the amounts fixed by the Mixed Arbitral Tribunals. The terms of issue of the bonds, together with all questions arising out of the conversion of existing bonds, and out of the new issues, will be determined by the Russian Debt Commission.

2. The bonds shall carry a rate of interest to be determined by the Russian Debt Commission. They shall be free both as to interest and capital from all Russian taxation, both present and future, and shall be subject to redemption by annual drawings.

3. In general the bonds will be expressed in the currency of the holder's country. Nevertheless the Debt Commission may allow him, if he so requests, to take bonds in the currencies of certain specified countries.

4. In order to determine the value of the bonds for any payment under these provisions the bonds shall be discounted at the rate of interest prescribed under paragraph 2 above.

5. The bonds shall be a charge on the whole assets of the Russian State. *or* 5. The bonds shall be a charge, primarily upon assets selected by the Russian Debt Commission in accordance with Annex I, 2 (d), and secondarily on the whole assets of the Russian State.

6. Interest shall be funded and the Russian Soviet Government shall not be required to redeem any bonds until [the 1st November, 1927]. It shall be within the competence of the Debt Commission to issue bonds of a special series in respect of funded interest. Any such interest bonds shall carry the same

rights and be in all respects the same as the new Russian bonds, except for a preferential right for redemption during the moratorium period if any redemption be then possible.

7. The Russian Soviet Government shall be permitted to make drawings, if it desires to do so, before the expiration of the moratorium period, giving priority to the interest bonds.

7. The Russian Debt Commission will decide whether the yield of the assigned revenues permits of drawings before the expiration of the moratorium period; in such drawings priority shall be given to the interest bonds.

## CHAPTER II.—(A.) *Administration of Justice.*

### ARTICLE 8.

The Russian Soviet Government shall undertake to provide for the good administration of justice in accordance with the following principles:—

Independence of the judicial authority *vis-à-vis* the executive authority.

Administration of justice in public by professional judges who must be independent and irremovable.

The law to be applied must be known and published; it shall be equal between persons and have no retro-active effect. It shall afford adequate guarantees to foreigners against arbitrary arrests and domiciliary visits.

Foreigners shall have free access to the courts and no disability shall attach to foreigners as foreigners; they shall be entitled to be represented before the courts by counsel of their own choosing.

The rules of procedure to be observed in the courts shall be such as to facilitate the thorough and rapid administration of justice. The right of appeal and of new trial shall be assured.

The parties to a contract shall have the right to provide that a foreign law shall apply; the courts must in such case apply that law.

Just procedure shall be established in order to ensure the execution of valid foreign judgments, including judgments of foreign courts based on a provision in a commercial contract conferring jurisdiction on that court.

The validity of a clause in contracts for the arbitration of any or all disputes arising therein shall be recognised and shall be made for enforcing arbitration awards, including those given in a foreign country.

(B.)—*Conditions of Residence and Trade in Russia.*

## ARTICLE 9.

The Russian Soviet Government shall undertake to permit the entry and egress of foreigners into and from its territory in accordance with the usual practice of States.

## ARTICLE 10.

Foreigners while sojourning in Russia shall be exempted from all kinds of compulsory services and from any contributions whatever imposed as an equivalent for personal service; they shall not be subject to any forced loans.

## ARTICLE 11.

Foreigners shall be at liberty to communicate freely by post, telegraph or wireless telegraph, and to use telegraph codes under the conditions and subject to the regulations laid down in the International Telegraph Conventions.

## ARTICLE 12.

Foreigners shall enjoy all protection, rights and facilities which are necessary to enable them to carry on any permitted trade, profession or occupation in accordance with the usual practice of States; they shall not be subject to any discriminating legislation or restrictions on account of their nationality. They shall not be compelled to join any local organisation.

## ARTICLE 13.

No discrimination against the workmen employed in undertakings belonging to foreigners or directed by foreigners shall be exercised in respect of military service, or forced labour; nor shall any taxation be levied in lieu thereof.

## ARTICLE 14.

Foreigners shall have adequate facilities for travelling on Russian railways, roads and waterways, and for the carriage of their goods and merchandise. These facilities shall not be less than those accorded to Russian Government enterprises or Russian nationals, and shall be applied without discrimination.

## ARTICLE 15.

Requisitions shall not be imposed save in exceptional circumstances and subject to adequate compensation payable at the time.

## ARTICLE 16.

Foreign companies and associations duly constituted shall be allowed to carry on any business open to foreigners in Russia, and for this purpose shall have the same rights as private individuals, including that of appearing before the tribunals.

## ARTICLE 17.

Foreign firms or individuals, and also foreign companies and associations, carrying on any permitted trade, profession or occupation in Russia shall be subject to no higher taxation than is borne by Russian nationals.

The system of taxation shall not in practice impose on branches of foreign companies carrying on permitted trades, professions and occupations in Russia any greater burden of taxation than on similar businesses carried on there by Russian companies.

## ARTICLE 18.

The Russian Soviet Government shall be invited to become a party to the international conventions for the protection of industrial, literary and artistic property.

(C.)—*Treaties and Conventions.*

NOTE.—All questions concerning political treaties and conventions are reserved.

## ARTICLE 19.

The multilateral conventions and agreements of an economic, technical or legal character to which the former Russian Governments were parties shall be regarded as still binding on Russia.

## ARTICLE 20.

Contributions owing by Russia in respect of the upkeep of any central bureau or office established by any treaty or convention referred to in Article 19 shall be paid. All other claims by or against Russia arising out of the non-fulfilment of the provisions of such treaties or conventions shall be waived.

## ARTICLE 21.

Subject to the provisions contained in Chapter 1, any bilateral treaties, conventions or agreements of an economic, technical or legal character between Russia and a foreign Power not already denounced shall not be regarded as having lost their force, but their continuance shall be dealt with independently between Russia and the Power concerned.

SECTION III.—*Measures by which the Immediate Restoration of Russia would be Facilitated.*

The re-starting at the earliest moment of undertakings of all kinds, which belonged to foreigners before the events of 1917 and the establishment of fresh undertakings, would be of the greatest assistance in bringing about the speedy reconstruction of Russia.

This being so, in the present situation the speedy recovery of Russia would be facilitated by the following :—

## ARTICLE 22.

Foreigners, who enter Russia to practice their profession, trade, industry or occupation, shall be free to import into Russia such food, apparel and tools as are necessary for their personal use, and these shall not be liable to any kind of requisition.

They may, under the same conditions, import food and apparel for the exclusive use of their staffs or of the workmen whom they employ, whether Russian or foreign. The same shall apply especially to medicines, surgical dressings, etc., which they may need for themselves and for their staff.

## ARTICLE 23.

The visa of passports by the competent Russian authorities shall confer on holders complete protection by the Russian authorities, and the free exercise of their industry, trade, occupation or profession.

## ARTICLE 24.

No domiciliary search may be made in the residence or establishment of a foreigner settled in Russia, nor may his arrest be carried out without the assistance or consent of his Consul.

In the case of an appearance before a Russian court on a criminal charge, judgment can only be carried out with the consent of the Consul concerned.

The only punishment that may be inflicted as a result of a prosecution on political grounds is expulsion, subject to the above condition.

## ARTICLE 25.

Undertakings belonging to foreigners or directed by them shall be worked under conditions of freedom, including freedom of engagement or discharge of workmen subject only to the application of laws of hygiene, and to conditions of labour in accordance with the general practice of other countries.

In case of need, wages shall be fixed by committees representing employers and employed.

## ARTICLE 26.

The acquisition in Russia and abroad of all products and raw material necessary for the restoration of industry and their transport shall be specially facilitated by the Russian Government.

## ARTICLE 27.

Duties, taxes and other charges on the industry, trade or occupations of foreigners settled in Russia shall not be such as to prevent a reasonable return on invested capital.

## ARTICLE 28.

Free zones shall be created in a certain number of ports.

## PART II.

## RESTORATION OF EUROPE.

The drafting of a convention has not been attempted, but the resolutions are in such a form that their substance could, if it were thought desirable, be embodied in a convention.

The resolutions are arranged in three groups, viz :—

- Section I.—Financial.
- Section II.—Economic.
- Section III.—Transport.

SECTION I.—*Financial Section.*CHAPTER I.—*Currency.*

## ARTICLE 29.

An essential requisite for the economic reconstruction of Europe is the achievement by each country of stability in the value of its currency. No country can gain control of its own currency so long as there is a deficiency in the annual budget which is met by the creation of paper money or bank credits. It is for every country to overcome such a deficiency by its own independent efforts; only then will its way be open to currency reform.

## ARTICLE 30.

Measures of currency reform will be facilitated if the practice of continuous co-operation among central banks can be developed. A permanent association or *entente* for the co-operation of central banks, not necessarily confined to Europe, would provide opportunities of co-ordinating credit policy, without hampering the freedom of the several banks. It is suggested that an early meeting of representatives of central banks should be held with a view to considering how best to give effect to this recommendation.

## ARTICLE 31.

It is desirable that all European currencies should be based upon a common standard.

## ARTICLE 32.

Gold is the only common standard which all European countries could at present agree to adopt.

## ARTICLE 33.

In a number of countries it will not be possible for some years to restore an effective gold standard; but it is in the general interest that European Governments should declare now that this is their ultimate object, and should agree on the programme by way of which they intend to achieve it.

## ARTICLE 34.

In each country the first step towards re-establishing a gold standard will be the balancing of the annual expenditure of the State without the creation of fresh credit unrepresented by new assets

## ARTICLE 35.

The next step will be to determine and fix the gold value of the monetary unit. This step can only be taken in each country when the economic circumstances permit; for the country will then have to decide the vital question, whether to adopt the old gold parity or a new parity approximating to the exchange value of the monetary unit at the time.

## ARTICLE 36.

These steps might by themselves suffice to establish a gold standard, but its successful maintenance would be materially promoted, not only by the proposed association or *entente* of central banks, but by an international convention to be adopted at a suitable time. The purpose of the convention would be to centralise and co-ordinate the demand for gold, and so to avoid those wide fluctuations in the purchasing power of gold, which might otherwise result from the simultaneous and competitive efforts of a number of countries to secure metallic reserves. It is suggested that the convention should embody some means of economising the use of gold by maintaining reserves in the form of foreign balances, such for example, as the gold exchange standard, or an international clearing system.

CHAPTER II.—*Credits.*

## ARTICLE 37.

Whilst private credit will undoubtedly again become available as soon as currencies are stabilised and confidence is restored, it is recognised that under existing conditions special machinery is necessary for facilitating the immediate co-operation of the economically stronger countries for reconstruction purposes. The negotiations now proceeding for the establishment of an International Corporation are accordingly to be welcomed.

## ARTICLE 38.

It is essential for countries in need of credits to take steps at once to make their assets available to serve as security for the assistance they require, whether through the proposed International Corporation or through other channels; for this purpose they should enter into consultation at the earliest possible moment with the corporation when established or with other agencies for the purpose of securing such co-operation.

CHAPTER III.—*Exchanges.*

## ARTICLE 39.

One of the chief obstacles in the way of the restoration of trade is the collapsed condition and instability of many of the European exchanges, and this is mainly due to the continual depreciation of currency, the failure of production for export, and the lack of trade facilities.

The artificial control of operations in exchange, whether by requiring a licence for transactions in exchange or by limiting the prices at which transactions may be effected, or by preventing free dealings in forward exchange, is futile and mischievous.

It is therefore recommended that all regulations of the kind indicated attempting to limit fluctuations in exchange by means of artificial control of exchange operations should be abolished at the earliest possible date.

## ARTICLE 40.

Within twelve months after substantial progress has been made in the restoration of a country's exchanges any special restrictions imposed on imports from that country on the ground of depreciated exchange should be removed.

*Note.*—Some of the experts desired to add that the prohibition of transactions for any specified purposes was equally to be condemned, but others were unable to accept this without the qualification that it was subject to any regulations which may be adopted solely for the purpose of preventing the export of capital.

SECTION II.—*Economic Section.*CHAPTER I.—*Customs Tariffs and Restrictions.*

## ARTICLE 41.

In view of the agreement relative to restrictions and prohibitions signed by the representatives of certain States at the Conference at Porto Rosa (protocol No. 1) in November, 1921, it is suggested that those States should adopt the recommendations of that Conference and should take the necessary measures to give effect to them without delay.

## ARTICLE 42.

Inasmuch as the development of normal trade with all countries is only possible where traders are in a position to ascertain some time in advance the conditions under which goods can be legally imported into and exported from each country, it is proposed that any customs duties and customs restrictions incident to importation and exportation should be regulated by the following principles :—

(A)—*Customs Tariffs.*

## ARTICLE 43.

All customs tariffs should be published: such publication should be accompanied by a clear and precise indication in regard to each category of goods of all the duties which are leviable on the importation or exportation of the goods concerned.

## ARTICLE 44.

The tariffs should be made, so far as possible, applicable over substantial periods of time, and changes in rates and in customs regulations should be made as rarely as possible and duly published, the practice of frequent modification for the purpose of economic warfare being entirely abandoned.

## ARTICLE 45.

No duties should be maintained or imposed after . . . on the exports of raw materials other than such duties as are found desirable for revenue purposes; export duties imposed for such purposes should be applied without any discrimination as between different foreign countries of destination.

(B.)—*Import and Export Prohibitions.*

## ARTICLE 46.

The system of prohibition or restriction of imports or exports which certain States have introduced temporarily to protect their finances or to control their markets is in principle injurious from the point of view of the economic restoration of Europe. Every country has nevertheless the right, unless precluded by treaties, to prohibit absolutely the importation of goods of certain descriptions in the interests of national health, national security, national morals or for other special purposes, or to allow the importation of specified commodities only if consigned to recognised organisations either for the purpose of giving effect to a State monopoly or for seeing that the whole importation is put to a specified use, but prohibitions framed for any such purpose should be publicly announced and as limited in extent as possible. Such prohibitions and monopolies should not be used for the purpose of discriminating arbitrarily between different foreign markets or different sources of supply.

## ARTICLE 47.

Where for any reason it is desired to limit the amount of any commodity to be imported through ordinary trade channels such limitation should be effected by the medium of customs duties rather than by a system of prohibition modified by licences; every Government should at once examine the possibility of abandoning or reducing to the smallest possible dimensions the

number of goods to which the latter system is applied, so that the general pre-war position in this regard may be attained so soon as possible, and in any case before . . . save in so far as it has been modified by general international conventions concluded since the outbreak of war.

#### ARTICLE 48.

Pending the complete abolition of the system of prohibition accompanied by licences, licences should be granted on conditions which are publicly announced, unambiguously stated and uniformly applicable. Any trader should accordingly be in a position easily to estimate in advance whether and under what conditions a licence is procurable. Administration should be on the simplest lines possible and every arrangement should be made to secure that applications for licences are dealt with expeditiously by competent bodies organised for the purpose. In the grant of licences there should be no discrimination of any kind in respect of the nationality of the importer, the origin of the goods or their nature, nor should the grant be dependent on the prices at which they are to be purchased.

#### ARTICLE 49.

Similar provisions *mutatis mutandis* to those laid down in Articles 46 to 48 should be applied in regard to any restriction of exportation which any Government may find necessary for national security or for the purpose of conserving its economic resources; the licensing system should be such as to allow of no discrimination in regard to the prices at which the goods are to be disposed of.

#### (C.)—General.

#### ARTICLE 50.

Where the admission or transit of goods of any description into any country or the duties leviable thereon are dependent on the fulfilment of particular technical conditions with regard, for instance, to their constitution, their purity, their district of origin, their sanitary condition, the Governments should come to arrangements with each other providing for the acceptance, in accordance with rules and principles mutually agreed, of certificates issued by competent scientific institutions or recognised authorities or bodies in the country of origin of the goods.

#### ARTICLE 51.

The necessary steps should be taken to secure that the preceding provisions should be observed in the letter and in the spirit by all Government authorities, central or local, and that no regulations of an administrative character shall be issued which would conflict therewith.

## ARTICLE 52.

It is desirable to arrange for enquiry to be made from time to time through a suitable organisation, *e.g.*, the League of Nations, into the progress made by the various States in carrying these principles into operation.

## ARTICLE 53.

All the Governments concerned should inform immediately the organisation referred to in Article 52 of all changes in customs tariffs or in the regulations relating to prohibition or restriction of imports or exports.

*Note 1.*—In addition to the provisions contained in Articles 41-53, a suggestion was considered that resolutions should be submitted to the Genoa Conference for acceptance providing during a certain period for the mutual accord to each other by all the nations represented of the treatment of the most-favoured nation in customs matters, subject to certain reservations which would be necessary to meet special difficulties. Whilst it was generally recognised that on purely economic grounds some such provision could be welcomed in the present general situation, some of the experts did not feel able to accept the proposals as presented.

*Note 2.*—The experts have also considered the question of facilitating the use of arbitration clauses in commercial contracts relating to foreign business. They agreed that the question was one calling for careful consideration, but in view particularly of its technical and legal aspects they were of opinion that further investigation of the subject was necessary before a resolution could be prepared for submission to the Genoa Conference.

CHAPTER II.—*Treatment of Foreigners in the Conduct of Business.*

## ARTICLE 54.

Foreign firms or individuals carrying on any permitted trade, profession or occupation should be subject to no higher taxation than is borne by nationals.

The taxation of foreign companies should be based on similar principles and the system of taxation so framed and administered that branches of foreign companies carrying on permitted trades, professions and occupations in the territory of any country should not bear a greater burden of taxation in that country than the businesses carried on in the country by national companies.

## ARTICLE 55.

It is desirable that, in the matter of passport visa regulations, all countries should at once adopt and put into practice in their entirety the recommendations of the International Conference on Passports, Customs Formalities and Through Tickets held at

Paris in October, 1920, under the auspices of the Provisional Committee on Communications and Transit of the League of Nations.

*Note.*—The more important of the Paris resolutions may be summarised as follows :—

- (a) The abolition of the visa for exit.
- (b) In general all entrance visas to be valid for one year.  
The validity of a transit visa to be the same as the period of the validity of the visa of the country of destination.
- (c) The maximum fees charged for visas to be :—
 

Entrance visa	...	10 francs gold
Transit visa	...	1 franc gold.
- (d) The transit visa, unless for exceptional reasons (*e.g.*, undesirables), to be issued without enquiry solely upon production of the entrance visa for the country of destination, in addition to transit visas for the intermediate countries.

### CHAPTER III.—*Protection of Industrial Property and Copyrights.*

#### ARTICLE 56.

It is desirable that all European States which have not already done so should at once take steps to adhere to the International Convention of Paris of the 20th March, 1883, as revised at Washington in 1911, for the protection of industrial property, and to the International Convention of Berne of the 9th September, 1886, revised at Berlin on the 13th November, 1908, and completed by the additional protocol signed at Berne on the 20th March, 1914, for the protection of literary and artistic work.

#### ARTICLE 57.

Pending such adhesion, every European State should, in so far as industrial, literary and artistic property is not now reciprocally protected as between itself and other States, give effective protection to such property on condition of reciprocity; and should further—save in so far as such rights have been or shall be dealt with by the Treaties of Peace with Germany, Austria, Hungary, Bulgaria and Turkey—recognise, restore and protect all rights in such property belonging to the nationals of other States which would now be in force in its territory, but for any exceptional legislative or administrative action taken in consequence of war or revolution between the 1st August, 1914, and the present date.

*Note.*—In the opinion of some of the experts, it is highly desirable that any European State which is not already a party thereto should adhere to the arrangement signed at Madrid on the 14th April, 1891, for the repression of false indications of origin.

SECTION III.—*Transport Section.*

## ARTICLE 58.

Efficient transport is an essential requisite for the revival of production and trade. It is therefore desirable that States should continue to devote their unremitting efforts to the restoration and improvement of the organisation of their railways, harbours and other means of communication; where necessary, surveys of requirements should be made under adequate expert direction, and where the present resources of any State appear to be inadequate to restore the equipment and structure of these undertakings, including the fuel supply, steps should be taken without delay to secure assistance, whether from the international corporation, when established, or from other suitable sources.

## ARTICLE 59.

The principles of the Agreement for the Regulation of International Railway Traffic signed at Porto Rosa on the 23rd November, 1921, should immediately be applied to all the European States represented at Genoa. The Council of the League of Nations should be invited to enquire into the measures already taken to carry the Porto Rosa Agreement and Recommendations into effect.

## ARTICLE 60.

It is desirable that representatives of the railway administrations of the States concerned should attend a conference to define what further steps are necessary to restore international traffic conditions at least as satisfactory as those existing before the war, and should agree upon recommendations to their Governments. Similar conferences should be held in regard to water communications and harbours.

It is desirable that favourable consideration should be given to the recommendations of these conferences with a view to their immediate application, or, if necessary, to the conclusion as early as possible of conventions to give effect to them.

## ARTICLE 61.

The conditions of international transport should not be determined by political considerations, but rather by commercial and technical considerations, as in the case of the conventions concluded at Barcelona on the 20th April, 1921, regarding Freedom of Transit and the Régime of Navigable Waterways of International Concern, together with the additional protocol to the latter convention, and the recommendations relative to the International Régime of Railways. It is desirable that the various other conventions provided for in treaties now in force should be prepared and put into operation as soon as possible.

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## 2. Memorandum handed to the Russian Delegation on the 15th April, 1922, after preliminary conversations between British, French, Italian and Belgian Delegations.

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1. The creditor Allied Governments represented at Genoa cannot admit any liability with regard to the claims advanced by the Soviet Government.

2. But in view of the serious economic condition of Russia, such creditor Governments are prepared to write down the war debts owing by Russia to them (by a percentage to be determined later); and the countries represented at Genoa would be prepared to consider not only the postponement of the payments of interest upon financial claims, but also the remission of some part of arrears of interest or postponed interest.

3. It must be definitely agreed, however, that there can be no allowance made to the Soviet Government against:—

- (a) Either the debts and financial obligations due to foreign nationals, or
- (b) The right of such nationals with regard to the return of their property and compensation for damage or loss in respect thereof.

15th April, 1922.

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## 3. Letter from the Russian Delegation.

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Russian Delegation,  
April 20th, 1922.

SIR,

The Russian Delegation has carefully considered the proposals of the Allied Governments laid down in the Annex to the Minutes of April 15th, and have been in the meantime in consultation with their Government upon this subject.

The Russian Delegation are still of the opinion that the present economic condition of Russia and the circumstances which are responsible for it should fully justify the complete release of Russia from all her liabilities mentioned in the above proposals by the recognition of her counter-claims. However, the Russian Delegation are prepared to make a further step towards finding a solution for the adjustment of the differences and to accept

items 1, 2, and 3 (a) of the above-mentioned Annex, provided (1) that the war debts and the arrears of interests or postponed interests of all debts are written down, and (2) that adequate financial help is given to Russia assisting her to recover from her present economic state in the shortest possible period. With regard to 3 (b), subject to the above two stipulations, the Russian Government would be willing to restore to its former owners, the use of property, nationalised or withheld, or where this is not possible, then to satisfy the just claims of the former owners, either by mutual agreement with them direct or in accordance with arrangements, the details of which will be discussed and agreed during the present Conference.

Foreign financial help is absolutely essential for the economic reconstruction of Russia and as long as there is no prospect of this reconstruction, the Russian Delegation cannot see their way to put upon their country the burden of debts which could not be discharged.

The Russian Delegation wish also to make it clear, although it seems to be self-evident, that the Russian Government could not admit liability for the debts of its predecessors until it has been formally recognised *de jure* by the Powers concerned.

Trusting you will find the above proposals to be a sufficient basis for the resumption of the discussion.

I have the honour to be, Sir,  
Your most obedient Servant,  
(Signed) GEORGE TCHITCHERIN.

The Rt. Hon. David Lloyd George,  
Prime Minister of Great Britain,  
p.t. Villa de Albertis,  
Genoa.

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#### 4.—Note from the Russian Delegation handed in at the meeting of the Committee of Experts on the Russian Question on 24th April, 1922.

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It is agreed that, conditionally on immediate and sufficient financial assistance being given to Russia, and on the *de jure* recognition of the Russian Soviet Government.

(1) The Russian Government declares its readiness to pay the financial liabilities of the former Imperial Government of Russia, incurred before 1st August, 1914, towards Foreign Powers and their nationals.

It is agreed, however, that persons who were the legal owners of such liabilities before March, 1917, will be entitled to present claims based upon the terms of the present Article.

*Note A.*—The present Article does not apply to States which have unsettled territorial disputes with Russia.

*Note B.*—The questions comprised in the note to Article 1 of the London Memorandum will be reserved for the examination of the Political Commission.

(2) The Russian Government will cause the local Russian authorities to recognise the financial engagements contracted by the latter with Powers or their nationals.

Engagements entered into after the 7th November, 1917, by local authorities who at the time of conclusion of the said engagements were not under the control of the Central Soviet Government are not comprised under the terms of the preceding paragraph.

The Russian Government recognises all the engagements of public utility undertakings which duly received the public guarantee of the former Imperial Government of Russia.

(3) The Russian Government declares its willingness to reinstate foreigners in the enjoyment of their former property which have been nationalised or requisitioned, wherever this cause shall be possible by reason of the social and economic system and the fundamental laws of the Russian Republic, that is, to grant them a pre-emptive right to take their former property on concession or lease, or the preference to have shares in companies and trusts in the event that their former property constitutes part of the possession of such companies or trusts, it being stipulated that these forms of enjoyment will be settled for the period and on the conditions to be fixed separately in each case. The Russian Government is likewise willing to satisfy by a friendly agreement with the former proprietors or by the means to be settled during the Conference, such claims of foreign ex-owners as it recognises to be just and not contrary to the conditions stated above.

(4) Arrears of interest, and the interest which will fall due up to the termination of the moratorium, together with the amortisation of the debts and liabilities of all kinds prescribed in Articles 1-5, will be cancelled.

(5) The Powers on their part declare themselves ready to restore to Russia its property of all kinds in foreign countries (*e.g.*, precious metals, real estate and ships); and also to settle all their financial obligations and the obligations of their nationals towards the Government of Russia.

*Note.*—The Powers undertake to give all the assistance necessary to guarantee the execution of the present Article, and in particular to facilitate access to account books of banks, etc.

(6) The resumption of payments arising out of the financial engagements accepted by the Russian Government in virtue of Articles 1, 2 and 5, including the payment of interest, will begin after a period of . . . . years from the date of the signature of the present Agreement.

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## 5. Memorandum sent to the Russian Delegation.

*Wednesday, May 3rd, 1922.*


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MR. VICE PRESIDENT.

I HAVE the honour to transmit to you the enclosed document.

I have to add that the French Delegation defers its final approval of the enclosed document until it has received instructions from its Government.

Please accept, Mr. Vice President, the assurances of my highest consideration.

(Sgd.) F. SCHANZER.

MR. GEORGE TCHITCHERINE,  
Vice President of the Russian Delegation,  
Hotel Imperial,  
Rapallo.

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## MEMORANDUM.

The problem of the restoration of Russia, with a view to the re-establishment of peace over the whole of the Continent of Europe, has been considered in the most serious and sympathetic manner. There is a general and sincere desire that friendly relations should be restored among all the nations and that the Russian people may take its historic place among the European Powers.

Russia in the past has been an important element in the economic system of Europe. But to-day her exhaustion is complete after the events which have drained her resources for the last eight years, and her elimination from the European economic system has added to the troubles from which the world is suffering.

Every year the world deficiency in food and raw material due to the failure of Russian supplies is being made up from other sources.

In due course, the gap would be filled so far as the rest of Europe is concerned, for trade, like water, finds new channels when the older channels are blocked. But in Russia itself, privation, misery and famine would continue to spread and thus constitute a plague spot of increasing menace to the European system. Such a fate for Russia and for Europe the Powers are deeply anxious to avert.

The reconstitution of Russia must take place above all in the interests of Russia herself. But Russian prosperity cannot be revived without the assistance of the capital and the commercial

experience of the west. As soon as the feeling of security has been revived in Russia, that is to say, when the nationals of foreign countries have guarantees that they can resume their former industrial or commercial and agricultural undertakings, and start new ones, with the certainty that their property and their rights will be respected and the fruits of their enterprise secured them, they will hasten to afford Russia the benefit of their technical knowledge, their work and their capital.

Russia is a country of great possibilities. Economic disaster has paralysed, but has not destroyed, her resources. If Russia and the Russian people are to recover, the resources of Russia must be developed. Her agriculture, which is fundamental to her economic system, must be restored; her mines must be re-opened; and her factories must be set to work again. The other nations of the world played a great part in the development of Russia. They will play that part again as soon as Russia establishes conditions which command their confidence.

The needs of Russia are so manifold that they can only be met by once more throwing open the Russian market to foreign manufacturers and traders. To-day Russia is urgently in need, not only of food and clothing, medical supplies and other necessaries of normal existence, but also of locomotives, wagons, agricultural implements, tools, machinery and port appliances. If these goods are not supplied to Russia, her transport system will fall to pieces, her industries will rapidly become derelict, and the yield from the land will steadily fall.

All these supplies can be furnished by the industrial countries. As soon as security in Russia has been re-established for former owners and debts are recognised, the importation of these necessaries will recommence. Capital will flow into Russia the moment confidence begins to revive. And at the same time foreign enterprise and experience will be available for the reconstruction of the country.

There is not a country which is unable to render an effective contribution to the work of reconstructing Russia; some by financial help, others by the rapid resumption of the manufactures or public utility undertakings which they owned there; and still others by the skilled workers which they will be able to send there. All the countries represented at Genoa have indicated their willingness to co-operate in this work, each according to its capacity.

Their Governments also are ready to hasten this restoration. It will be necessary to overcome the hesitation on the part of business men, who will fear the loss of capital which they might sink in a country thus deprived for the time being of the normal means of production. As soon, however, as the first pioneers have succeeded in their enterprise, others will follow in their footsteps. The object and the justification of Government assistance will be to make these first attempts succeed.

Measures have already been taken in several countries for this purpose, and Russia will be able to obtain the benefit of

these measures as soon as it is possible to conclude with Russia an arrangement in conformity with the clauses which follow.

Several countries of Europe have decided to establish an international corporation with an initial capital of £20,000,000. Its aim is to finance reconstruction and development undertakings in Europe which, without assistance, would have difficulty in procuring the necessary funds. This sum may seem small in comparison with the magnitude of the work to be done. But it only includes the capital subscribed through the national companies formed in the leading countries. Behind it stand the resources of all these countries, resources which are available for financing operations approved by the international corporation.

In addition to this, certain countries are in a position to advance immediately substantial sums to those of their nationals who will trade with Russia or settle there for that purpose. To these facilities must be added the private credits which manufacturers who have the assurance that their undertakings can be successfully resumed in Russia will not fail to receive from the national banks.

The British Government can guarantee under the Trade Facilities Act the capital or interest required for capital undertakings, overseas as well as at home, to develop economic reconstruction in Europe. If the Soviet Government is prepared to take the steps needed to encourage enterprise, then this Act can be applied to Russia. The sum authorised by this Act was £25,000,000. If necessary, Parliament will be invited to increase the amount to be made available.

In addition to the facilities offered by this Act, there is an Export Credits Scheme for financing the export of British goods. Under this scheme, the British Government is authorised to guarantee transactions up to £26,000,000. Of this £26,000,000, £11,000,000 has been pledged. The British Government will be prepared to invite Parliament to extend the duration of the Act in question.

France, by reason of the effort which she is obliged to make in order to restore her own devastated regions, cannot at this moment afford direct financial assistance for the reconstruction of Russia. Nevertheless, the French Government accepted at Cannes the principle of taking a part in the International Corporation equal to the English part.

France can send to Russia seeds of all sorts. Negotiations have already taken place with the Soviets on this subject. Detailed plans have been prepared for the despatch and use of tractors. Several thousands of these tractors could be sent with the necessary technical personnel. Machines and technical personnel can be sent in order to establish veterinary stations and institutions for agricultural study.

With regard to transport, France can offer rolling stock of approximately twelve hundred locomotives, twenty-five thousand

goods wagons, three thousand five hundred railway carriages and vans. It would be possible to form a special company for undertaking repairs, and repair shops could be let to the company which would supply the technical personnel.

Finally, French industrialists, who in great numbers have contributed to the wealth of many parts of Russia, would be able to re-start their establishments as soon as they received the necessary guarantees. These industrialists would undoubtedly find in France or abroad, thanks to the confidence which they inspire, the necessary capital and the technical staffs which will be needed.

Italy, by subscribing 20 per cent. of the capital of the International Corporation, purposes to render substantial financial help as regards both the immediate aims of this organisation and its future development. She is also ready to support every undertaking which is set up in order to re-establish transport by rail or water, and to foster the marketing of Russian produce. She is also ready to contribute through her agricultural organisations and by her experience to the restoration of agriculture and to participate in co-operation with Russia in the industrial and agricultural re-equipment of the country.

Offers of help are also held out by Japan. The Japanese Government, with a view to encouraging trade with Russia, have granted a credit of eight million yen to the Russo-Japanese Trading Company. The Japanese Government has also the intention of taking further measures, if it deems it necessary, with the object of furthering trade relations between the two countries.

Time is an indispensable factor in the reconstruction of Russia, but the important thing is to make a start. As soon as the first impulse has been given, as soon as the first pioneers have been able to settle in Russia, and to make known the fact that they have been successful, and have demonstrated to themselves and their compatriots that the way which had been closed for so long is open and safe, others will follow and their number will be all the greater because the road has been barred so long.

In these circumstances, the following conditions, dealing with the more important questions requiring adjustment, are submitted to the Russian Delegation by the Delegations of Italy, France, Great Britain, Japan, Poland, Roumania, Switzerland and Sweden, represented on the Sub-Committee of the First Commission. The final approval, however, of the French Delegation is reserved until it receives its instructions from its Government.

#### CLAUSE I.

In accordance with the terms of the Cannes Resolution that all nations should undertake to refrain from propaganda subversive of order and of the established political system in other countries than their own, the Russian Soviet Government will not interfere in any way in the internal affairs and will refrain from any action which might disturb the territorial and political

*status quo* in other States. It will also suppress all attempts in its territory to assist revolutionary movements in other States.

The Russian Soviet Government will use all its influence to assist the restoration of peace in Asia Minor and will adopt an attitude of strict neutrality between the belligerent parties.

#### CLAUSE II.

(1) In conformity with the Cannes Resolution, the Russian Soviet Government recognises all public debts and obligations which have been contracted or guaranteed by the Imperial Russian Government or the Russian Provisional Government or by the Soviet Government itself towards foreign Powers.

Being desirous of facilitating the immediate reconstruction of Russia and the rehabilitation of her credit, the creditor Powers are willing to make no claim upon Russia at present, either as to capital or interest, for the repayment of the advances made to the Russian Governments during the war

(2) The Allies can admit no liability for the claims against them set up by the Russian Soviet Government for loss and damage suffered during the revolution in Russia since the war.

(3) When an arrangement is concluded between the Allied and Associated Powers for the liquidation or rearrangement of war debts, the Allied Governments concerned will submit to their Parliaments measures for reducing or modifying the amount due by the Russian Soviet Government on similar lines and with due regard to the economic and financial condition of Russia; but these measures will be conditional on the renunciation by Russia of the claims mentioned in paragraph 2.

(4) Where responsibility for liabilities contracted by the the Russian Soviet Government or its predecessors towards foreign nationals has been assumed by a foreign Government, the liabilities will be treated on the same footing as private debts in accordance with Clause IV.

(5) The provisions of this clause will not apply to balances standing to the credit of a former Russian Government in any bank situated in a country of which the Government made advances to a former Russian Government, or assumed responsibility for any Russian Government loan floated in that country between 1st August, 1914, and 7th November, 1917. Such balances shall, without prejudice to the rights of third parties, be transferred to the Government concerned. The liability of the Russian Soviet Government in respect of war debts shall be *pro tanto* reduced.

#### CLAUSE III.

All financial claims by other Governments upon the Russian Soviet Government, and by the Russian Soviet Government upon other Governments, excepting those dealt with in these clauses, shall, subject to any special arrangement which may be made, remain in suspense until the agreement referred to

in Clause II, paragraph 3, has been concluded. The claims shall then be extinguished.

Nevertheless, this claim shall not apply to claims on behalf of the nationals of other Powers on account of the action in Russia of the Russian Soviet Government, or to claims on behalf of Russian nationals on account of the action in other countries of the Governments of those countries.

#### CLAUSE IV.

In conformity with the general principle admitted by all Governments, the Russian Soviet Government recognises its obligation to fulfil the financial engagements which it or its predecessors, that is to say, the Imperial Russian Government, or the Provisional Russian Government, have contracted *vis-a-vis* foreign nationals.

#### CLAUSE V.

The Russian Soviet Government undertakes to recognise, or to cause to be recognised, the financial engagements of all authorities in Russia, provincial or local, as well as all public utility enterprises in Russia contracted before this date *vis-a-vis* the nationals of other Powers, unless at the time when the engagement was contracted the territory in which the authority or enterprise was situated was not under the control of the Russian Soviet Government, or of the Russian Provisional Government, or of the Russian Imperial Government.

#### CLAUSE VI.

The Russian Soviet Government agrees to conclude an arrangement within twelve months of the coming into force of this Clause with the representatives of foreign holders of bonds and bills issued or guaranteed by the Russian Soviet Government or its predecessors, for ensuring the re-starting of the service of the loans and the payment of the bills. This arrangement will cover terms and dates of payment, including remission of interest, so that adequate account may be taken both of the actual conditions in Russia and of the necessity for her reconstruction.

The said arrangement shall apply as far as possible to all foreign holders without distinction of nationality.

In case a collective agreement cannot be reached, the benefit of an arrangement concluded with any particular group may be claimed by all other foreign holders.

If no such arrangement as is referred to in paragraph 1 can be concluded, the Russian Soviet Government agrees to accept the decision of an Arbitration Commission. This Commission shall consist of a member appointed by the Russian Soviet Government, a member appointed by the foreign holders, two members and a President appointed by the President of the Supreme Court of the United States, or failing him by the Council of the

League of Nations or the President of the Permanent Court of International Justice at the Hague. This Commission shall decide all questions as to the remission of interest and as to the mode of payment of capital and interest and will take into account in so doing the economic and financial condition of Russia.

The procedure laid down in this Clause as to Russian Government bonds and bills shall also be applied in the case of the financial obligations referred to in Clause V.

#### CLAUSE VII.

In order to encourage the re-starting of foreign economic activity in Russia and to permit foreign States to furnish to Russia the aid indicated above in the introduction and thereby to facilitate the restoration of the country, the Russian Soviet Government accepts the following arrangement with respect to private property :

Without prejudice to its freedom, as recognised in the Cannes Resolution, to regulate its system of ownership, internal economy and government, and to choose for itself the system which it prefers in this respect, the Russian Soviet Government recognises its obligation, in accordance with the said Resolution, to restore or compensate all foreign interests for loss or damage caused to them when property has been confiscated or withheld.

In cases in which the previous owner is not enabled to resume possession of his former rights, the Russian Soviet Government will make an offer of compensation. If no agreement is come to between the previous owner and the Russian Soviet Government as to the nature and amount of the compensation, the previous owner shall be entitled to submit to the Mixed Arbitral Tribunal referred to hereafter the question whether the compensation offered by the Russian Soviet Government is just and adequate.

If the Mixed Arbitral Tribunal decides that the compensation is just and adequate, it must be accepted by the previous owner ; but if the Tribunal decides that the compensation is not just and adequate, and the Russian Soviet Government and the previous owner are still unable to reach an agreement as to the compensation, the previous owner shall receive from the Russian Soviet Government a grant of the enjoyment of the property on terms not less favourable in all matters relating to its use and disposition than the rights he previously possessed ; provided, however, that where the Mixed Arbitral Tribunal decides that the grant of the enjoyment of the property is impracticable and that compensation must be given, the amount, if not agreed, shall be fixed by the Mixed Arbitral Tribunal and shall be payable in bonds.

In cases in which the Russian Soviet Government cannot give back the property it shall not be entitled to hand it over hereafter to other parties. If the Russian Soviet Government

proposed at a later date to hand it over as above, a preference shall be given to the previous owner.

If the exploitation of the property can only be ensured by its merger in a larger group, the preceding provision shall not apply, but the previous owner shall be entitled to participate in the group in proportion to his former rights.

The term "previous owner" shall include Russian financial, industrial and commercial companies, which at the date of nationalisation were controlled by nationals of other Powers, or in which at the same date such nationals possessed a substantial interest (either as shareholders or bondholders), if the majority of the foreign interests so desire. It shall also include a foreigner entitled to the beneficial use of property in Russia which was vested in a Russian nominee.

In cases in which a claim is not put forward in virtue of the preceding paragraph, a claim for compensation in conformity with this clause may be put forward by any foreign national interested in a Russian company in respect of injury or loss suffered by the company.

In the settlement of claims and in awards of compensation in respect of private property, provision shall be made for the protection of claims which third parties possessed against the property.

In cases where damage has been done to the property in consequence of the action or negligence of the Russian Soviet Government, compensation in accordance with the principles of international law shall be assessed by the Mixed Arbitral Tribunal.

#### CLAUSE VIII.

Provision shall be made by the Russian Soviet Government for enabling foreign nationals to enforce their claims against private persons in Russia.

If the payment of the sums due has been rendered impossible by the action or negligence of the Russian Soviet Government, the liability must be assumed by that Government.

#### CLAUSE IX.

Pecuniary compensation awarded under Clause VII will be paid by the issue of new Russian 5 per cent. bonds for the amount fixed by the Mixed Arbitral Tribunal.

The terms as to the payment of interest on these new bonds, and the terms as to their amortisation, shall be similar *mutatis mutandis* to those for old bonds as fixed by the Arbitral Commission referred to in Clause VI.

#### CLAUSE X.

Mixed Arbitral Tribunals shall be appointed for each country to decide questions as to the compensation to be paid under these clauses. These Tribunals shall consist in respect of each country

of one member appointed by the Russian Soviet Government, one member appointed by the Government of the national concerned, and a President appointed by the President of the Arbitral Commission referred to in Clause VI.

#### CLAUSE XI.

The re-starting in the shortest possible time of enterprises of all kinds which belonged to foreigners before the events of 1917, and the establishment of new enterprises being of the greatest importance for the rapid reconstruction of Russia, the Russian Soviet Government undertakes to take all necessary measures for ensuring forthwith the protection of the person, the property and the labour of foreigners.

For this purpose the administration of justice in Russia shall be provided for as set out in Article 8 of the Recommendations of the Experts in London, and foreigners shall be allowed to reside and trade in Russia in accordance with the provisions of Articles 9-17 of the said Recommendations. (*See Annexe.*)

#### CLAUSE XII.

Special arrangements will be made in agreement with the Russian Soviet Government for the settlement of questions relating to the liquidation of pre-war contracts between Russian nationals and foreigners, and questions relating to prescriptions, limitations, and foreclosures.

#### CLAUSE XIII.

The Russian Soviet Government will restore to the Roumanian Government the valuables deposited at Moscow by the said Roumanian Government.

Genoa, May 2nd, 1922.

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#### ANNEXE.

##### ARTICLES 8-17 OF THE RECOMMENDATIONS OF THE EXPERTS IN LONDON.

##### A.—Administration of Justice.

*Article 8.*—The Russian Soviet Government shall undertake to provide for the good administration of justice in accordance with the following principles:—

- (1) Independence of the judicial authority *vis-a-vis* the executive authority.
- (2) Administration of justice in public by professional judges, who must be independent and irremovable.
- (3) The law to be applied must be known and published; it shall be equal between persons and have no retroactive effect. It shall afford adequate guarantees to foreigners against arbitrary arrests and domiciliary visits.
- (4) Foreigners shall have free access to the courts, and no disability shall attach to foreigners as foreigners; they shall be entitled to be represented before the courts by counsel of their own choosing.

- (5) The rules of procedure to be observed in the courts shall be such as to facilitate the thorough and rapid administration of justice. The right of appeal and of new trial shall be assured.
- (6) The parties to a contract shall have the right to provide that a foreign law shall apply; the courts must in such case apply that law.
- (7) Just procedure shall be established in order to ensure the execution of valid foreign judgments, including judgments of foreign courts based on a provision in a commercial contract conferring jurisdiction on that court.
- (8) The validity of a clause in contracts for the arbitration of any or all disputes arising therein shall be recognised and rules shall be made for enforcing arbitration awards, including those given in a foreign country.

*B.—Conditions of Residence and Trade in Russia.*

*Article 9.*—The Russian Soviet Government shall undertake to permit the entry and egress of foreigners into and from its territory in accordance with the usual practice of States.

*Article 10.*—Foreigners while sojourning in Russia shall be exempted from all kinds of compulsory services and from any contributions whatever imposed as an equivalent for personal service; they shall not be subject to any forced loans.

*Article 11.*—Foreigners shall be at liberty to communicate freely by post, telegraph or wireless telegraph, and to use telegraph codes under the conditions and subject to the regulations laid down in the International Telegraph Conventions.

*Article 12.*—Foreigners shall enjoy all protection, rights and facilities which are necessary to enable them to carry on any permitted trade, profession or occupation in accordance with the usual practice of States; they shall not be subject to any discriminating legislation or restrictions on account of their nationality. They shall not be compelled to join any local organisation.

*Article 13.*—No discrimination against the workmen employed in undertakings belonging to foreigners or directed by foreigners shall be exercised in respect of military service, or forced labour; nor shall any taxation be levied in lieu thereof.

*Article 14.*—Foreigners shall have adequate facilities for travelling on Russian railways, roads, and waterways, and for the carriage of their goods and merchandise. These facilities shall not be less than those accorded to Russian Government enterprises or Russian nationals and shall be applied without discrimination.

*Article 15.*—Requisitions shall not be imposed save in exceptional circumstances and subject to adequate compensation payable at the time.

*Article 16.*—Foreign companies and associations duly constituted shall be allowed to carry on any business open to foreigners in Russia, and for this purpose shall have the same rights as private individuals including that of appearing before the tribunals.

*Article 17.*—Foreign firms or individuals, and also foreign companies and associations, carrying on any permitted trade, profession, or occupation in Russia shall be subject to no higher taxation than is borne by Russian nationals.

The system of taxation shall not in practice impose on branches of foreign companies carrying on permitted trades, professions, and occupations in Russia any greater burden of taxation than on similar businesses carried on there by Russian companies.

## 6. Reply of the Russian Delegation to the Memorandum (No. 5) sent on May 3rd, 1922.

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Before entering into an examination of the articles of the Memorandum signed by a group of Powers and transmitted with a letter from M. Schanzer, President of the Political Sub-Commission to the Russian Delegation on the 2nd May, the Russian Delegation, to its great regret, is obliged to observe that this Memorandum, while not offering the equitable solution of the Russian problem which had been expected, represents in some respects a retrogression from the conditions offered to Russia in the agreement of the Villa d'Albertis of the 20th April, and even from the Memorandum of London itself. Moreover, the contents of the Memorandum of the 2nd May constitute a marked deviation from the lines laid down for the Conference of Genoa by the Resolutions of Cannes.

The Inviting Powers, in summoning Russia to the present Conference, at the same time as the other States, gave as their reason the necessity of "restoring its vitality to the European system which is now paralysed." The means of attaining this end were to be "the economic reconstruction of Central and Eastern Europe." It was unanimously agreed that Russia was the State whose economic reconstruction was of the greatest interest to Europe, and to the whole world.

In its first Memorandum, replying to the Memorandum of London, the Russian Delegation drew the attention of the Conference to the fact that the problem of reconstructing Russia ought to lie at the foundation of its labours. The Russian Delegation declared its willingness to consider, in concert with the other Powers, this fundamental problem, whose solution would give to the world's industries 140 millions of consumers, and an immense quantity of raw materials, and so contribute to the relief of the crisis, the unemployment and the misery created by the World War, the intervention and the blockade.

The Russian Delegation, in accordance with the invitation of Cannes, came to Genoa with a whole series of plans and proposals concerning the credits and the loans required by Russia in return for real guarantees. They brought also a detailed account of the juridical guarantees already realised in Russian legislation, assuring to foreign nationals, who desire to give Russia the benefit of their technical knowledge and capital, protection in their property, their rights, and the profits of their enterprises. Moreover, the Russian Delegation had intended to present a list of industrial, mining, agricultural and other concessions which it desired to grant to foreigners.

But up to now this, the most important side of the Russian problem and of the economic problem of the world, has not been

even touched upon. The efforts of the Russian Delegation to bring this question before the Committee of Experts appointed to consider the Russian problem have met with an insurmountable opposition. The Committee of Experts has laid down, as a condition preliminary to any examination of these questions, Russia's obligation to accept liability for the settlement of State debts and the claims of private individuals.

This method of procedure can only condemn to sterility the most important part of the work of the Conference. Instead of beginning by examining those aspects of the Russian problem which would provoke the least controversy, the Committee of Experts—as likewise the Memorandum of May 2nd—have placed in the foreground the question which, because of its political and legal complexity, must inevitably give rise to the hottest discussions.

In consequence of this original mistake, the problems of the future, which interest everyone, have been subordinated to the interests of the past, which affect only certain groups of foreigners. The assertion that a recognition of the debts of former Russian Governments and the claims of private individuals is a condition essential to the co-operation of foreign capital in resuscitating the credit of New Russia is contradicted by the fact that many foreign capitalists have already given their collaboration to Russia without waiting for a settlement of the question of debts. It is not this or that solution of the question of debts which will make capital flow into Russia, but the guarantees which the Russian Government may be able to furnish for the future, and the international consolidation of this Government which would result from its *de jure* recognition.

The attempt to throw suspicion upon the attitude of the Russian Government in the eyes of future creditors, because it is unwilling to subscribe blindly to proposals which are too burdensome, is not unprejudiced. The repudiation of the debts and obligations contracted by the former régime, abhorred as it was by the Russian people, can in no wise indicate in advance the attitude of Soviet Russia, the child of the revolution, towards those who would come with their capital and technical knowledge to help in its reconstruction. On the contrary, the fact that the Russian Delegation, in the matter of the settlement of debts, takes into serious account the interests of the Russian people, and of the economic possibilities of Russia, proves that it desires only to assume engagements which it is sure that Russia will be able to fulfil.

It is worthy of remark that more than one of the States represented at the Conference of Genoa have in the past repudiated debts and obligations contracted by it; more than one State have confiscated and sequestered the property of foreigners, or of its own nationals, without having been subjected on that account to the ostracism of which Soviet Russia has been the victim.

It is difficult to explain by the non-fulfilment of some financial claims the obstinacy which certain Powers employ to exclude Russia from international economic and political life, and to deny her equality of treatment. If one considers what this attitude has cost the world, what it has cost the States which inaugurated it, and what it has cost Russia herself, where for almost five years its dreadful consequences have been endured, one finds it difficult to believe that the interests of Russian bondholders or of former owners of nationalised property are the only things at stake.

The incidents of the last few days, especially with regard to the matter of the restitution of nationalised property to its former owners, show plainly that a political question has been grafted on to one which is purely material. The conflict which has developed at Genoa around the Russian problem reaches farther and deeper. The political and social reaction which has followed in most countries the years of war seeks in defeating Soviet Russia, which represents the collectivist tendencies in social organisation, to attain the complete triumph of capitalistic individualism. The Russian Delegation has refused, and still refuses, to introduce into the discussions in progress any form of political tendency, but it cannot refrain from pointing out that this attempt to bring about at Genoa the triumph of the programme of a party or of a social system is contrary to the letter and to the spirit of the first resolution of Cannes. If the labours of the Conference are threatened, the whole responsibility will fall upon those Powers which, opposing alone the general desire for an agreement, place the interests of certain social groups above the common interest of Europe.

The Russian Delegation observes that the Preamble of the Memorandum of May 2nd tries to render plausible the idea that a prolonged economic isolation of Russia will injure herself only, while the rest of Europe will in any case find means of escape from its economic difficulties. The purpose of this assertion is clear: Russia, who needs the collaboration of other Powers for her economic recovery, must endure the sacrifices which this collaboration entails.

This assertion is contrary to public opinion, which, through the lips of competent men and through repeated manifestations of the working masses, has proved that Russia cannot be replaced by any substitute, and that her absence from the world market causes disturbances which no artifice can remedy. The place of Russia cannot be occupied by anyone but Russia herself. The isolation of Russia has political consequences no less disastrous than its economic ones. The security of Europe and the peace of the world demand the abolition of this abnormal state of affairs. As long as Russia remains in a sort of economic and political quarantine this temporary state of affairs cannot but encourage military adventures on the part of certain States, near neighbours to or distant from Russia, who, assuming the rôle of "police of

European civilisation," are seeking to trouble the peace and secure possession of the territories and riches of Russia and of the other Soviet Republics. That is why the solution of the Russian problem will not advance by a single inch unless the Powers assembled at Genoa become fully alive to the idea that the sacrifices which they demand of Russia must find a counterpart in similar sacrifices from themselves.

In its letter addressed to Mr. Lloyd George on the 20th April, the Russian Delegation makes important concessions, raising at the same time the question of granting credits and loans to the Russian Government. At the first Session of the Committee of Experts, the Russian Delegation requested a detailed examination of this question.

But the Committee of Experts, as has been stated above, refused this proposal. Now does this question of such considerable interest to Russia meet with any reply in the Memorandum of May 2nd. Instead of credits to be granted to the Russian Government, the preamble of the Memorandum specifies the credits which the various Governments are ready to grant to those of their nationals who may wish to trade with Russia. But this question, however interesting it may be for the private traders of other countries, has nothing to do with the question raised by the Russian Delegation. Moreover, these private merchants and manufacturers will not be able to utilise the credits to the extent desired unless the Russian Government is assured of the financial means necessary to revive the productive forces of the country—a condition indispensable to commercial relations of any magnitude between Russia and the other States. If the Russian Government lacks the financial resources or credits to revive industry and agriculture, to restore its means of transport and to establish a stable currency, stopping the issue of paper roubles of steadily depreciating value, commercial relations of any importance with foreign countries will encounter very great difficulties. Furthermore, the measures aiming at the revival of Russia can only be applied by the Government itself or according to a plan drawn up beforehand. The Russian Delegation had intended to submit to the Conference such a plan worked out by competent men of science and industry.

The Russian Delegation observes, not without a certain astonishment, this striking contrast in the Memorandum of May 2nd—that to the principal question of the restoration of Russia are devoted general considerations containing no precise proposals, while the question of the settlement of State debts and private claims is presented in the form of an agreement which attempts to prescribe the most minute details.

The Russian Delegation is no less surprised to find that in this financial contract, and at the head of all its clauses, are political clauses which have never heretofore figured in the discussions of the Russian Delegation with the other Delegations.

Selecting from the Cannes conditions which have a political character, and which, by the way, have been accepted by the

Russian Government, a single condition namely the 5th, which deals with subversive propaganda, the Memorandum ascribes to it at the same time a new meaning and makes it a one-sided obligation for Russia. Yet the Russian Government has proved more than once that the true subversive propaganda, through the organisation and despatch of armed bands, has been conducted by certain countries, neighbours of Russia and even signatories of the Memorandum.

Giving a new scope to this Cannes condition, the Memorandum demands that Russia should "suppress upon her territory all attempts to aid revolutionary movements in other countries." If, however, by this formula the Memorandum means to forbid the activities of political parties or organisations of workers, the Russian Delegation cannot accept such a prohibition unless the activities in question transgress the laws of the country.

In the same clause the Memorandum requests that Russia should "abstain from all action tending to disturb the political and territorial *status quo* in other States." The Russian Delegation considers this demand a veiled attempt to make Russia recognise treaties concluded by other States. But that is a political question which Russia is ready to discuss at the proper moment with the Powers involved.

Another political question artificially introduced into the Memorandum is that of the relations between Roumania and Russia, contemplated in Clause 13. As this question forms part of the totality of political, territorial and other questions at issue between Russia and Roumania, it cannot be examined separately.

But the Russian Delegation expresses above all its surprise at seeing raised in the Memorandum the question of peace in Asia Minor—all the more so as in spite of the proposal of Russia that Turkey should be invited to the Conference of Genoa, she was excluded from it. The presence of Turkey at the Conference is precisely what would have contributed to the re-establishment of peace in Asia Minor. Russia, on her part, in view of her relations of close friendship with Turkey, would have contributed to the achievement of this desired end.

As regards the strict neutrality which the Memorandum of May 2nd requires from Russia in the war which is being waged on Turkish territory, this can be only such neutrality as law and international conventions demand from all the Powers.

Passing to the other clauses of the Memorandum, the Russian Delegation is obliged to observe that all of the claims set forth therein result from changes produced by the Russian Revolution.

It is not for the Russian Delegation to justify this great act of the Russian people before an Assembly of Powers, many of whom count more than one revolution in their own history; but the Russian Delegation feels obliged to recall that principle of law according to which revolutions which are a violent rupture with the past carry with them new juridical relations in the foreign and domestic affairs of States. Governments and systems that spring from revolution are not bound to respect the obligations of fallen Governments. The French Convention, of which France declares herself to be the legitimate

successor, proclaimed on the 22nd December, 1792, that "the sovereignty of peoples is not bound by the treaties of tyrants." In accordance with this declaration, revolutionary France not only tore up the political treaties of the former régime with foreign countries, but also repudiated her national debt. She consented to pay only one-third of that debt, and that from motives of political expedience. This was the "*tiers consolide*," the interest on which did not begin to be regularly paid until the commencement of the nineteenth century.

This practice, which has been elevated to the rank of a doctrine by eminent legal authorities, has been followed almost universally by Governments born of a revolution or a war of liberation.

The United States repudiated the treaties of its predecessors, England and Spain.

On the other hand, the Governments of the victorious States did not hesitate during the war, and especially on the conclusion of the Treaties of Peace, to seize the property of the nationals of the vanquished States situated upon their territory, and even upon foreign territory.

In conformity with these precedents, Russia cannot be obliged to assume any responsibility whatever toward foreign Powers and their nationals for the cancellation of public debts, and for the nationalisation of private property.

Another question of law : Is the Russian Government responsible for damages caused to the property, rights and interests of foreign nationals by reason of civil war, apart from those which were caused to these persons by the acts of the Government itself—that is, the cancellation of debts and the nationalisation of property? Here again the juridical doctrine is entirely in favour of the Russian Government. Revolution, assimilated like all great popular movements, being akin to *force majeure*, does not confer any title to indemnity upon those who have suffered from it. When foreign nationals, supported by their Governments, demanded from the Tsarist Government the repayment of the losses caused to them by the revolutionary events of 1905 and 1906, the Government rejected their demands, basing its refusal upon the fact that not having accorded damages to its own subjects for similar losses, it could not place foreigners in a privileged position.

Thus, from the point of view of law, Russia is in no wise obliged to pay the debts of the past, to restore property, or to compensate their former owners, nor is she obliged to pay indemnities for other damages suffered by foreign nationals, whether as a result of legislation adopted by Russia in the exercise of her sovereignty, or as a result of the revolutionary events. Nevertheless, in a spirit of conciliation and in order to arrive at an understanding with all the Powers, Russia has accepted under the reserve of reciprocity the principle contained in the third Cannes Resolution. This reciprocity, that is, the obligation resting on every Government to pay com-

pensation for damages caused by its acts or its negligence, has been confirmed in the official interpretations of the third Cannes Resolution to which reference has already been made in the first Russian Memorandum.

With the exception of the war debts which, having a specific origin, were extinguished by the very fact that Russia, having withdrawn from the war without participating in the division of its advantages, could not assume its costs—the Russian Delegation has declared itself ready to accept liability for the payment of public debts provided that the damages caused to Russia by the Allied intervention and the blockade be recognised.

In law, the Russian counterclaims are infinitely more justified than the claims of the foreign Powers and their nationals. Practice and theory agree in imposing the responsibility for damages caused by intervention and blockade upon the governments which instituted them. Without citing other cases, we shall limit ourselves to recalling the decision of the Court of Arbitration at Geneva of September 14th, 1872, condemning Great Britain to pay to the United States 15½ million dollars for the damages caused to that country by the privateer "Alabama," which in the Civil War between the Northern and Southern States gave help to the latter.

The intervention and the blockade of the Allies and neutrals against Russia constituted official acts of war on their part. The documents published in Annex 2 of the first Russian Memorandum prove with evidence that the chiefs of the counter-revolutionary armies were such only in appearance and that their real commanders were the foreign generals sent especially for that purpose by certain Powers. These Powers not only took direct part in the civil war, but they were its authors.

Nevertheless, in its desire to reach a practical agreement, the Russian Delegation, as a result of the discussions which took place at the Villa De Albertis, adopted a policy of most far-reaching concessions, and declared itself prepared to renounce conditionally its counterclaims, and to accept the engagements of the former Governments, in exchange for a number of concessions on the part of the Powers, the most important being real credits placed at the disposal of the Russian Government amounting to a sum to be agreed upon in advance. Unfortunately, this engagement of the Powers has not been carried out. The Memorandum says nothing of definite credits which the signatories would be ready to grant to the Russian Government, and the credits which they promised to extend to their nationals for the purpose of trading with Russia are of an optional character.

Moreover, the Memorandum raises again the whole question of the war debts whose cancellation was one of the conditions of the renunciation by Russia of her counterclaims. The Memorandum likewise discusses the moratorium and the cancellation of the interest on pre-war debts, leaving the final decision of this

question to the competence of a Court of Arbitration, a procedure contrary to the provisions even of the Memorandum of London, instead of settling it in the agreement itself.

Thus the signatories of the Memorandum, by withdrawing from its obligations, recognise that the opposing party is equally free from his. In this manner the laborious negotiations which resulted in the agreement of the Villa De Albertis have been rendered vain. The Russian Delegation does not wish to seek out the Powers upon whom the responsibility for this may fall, but in any case it does not fall upon Russia.

The negotiations have been rendered still more difficult by the obstinacy of certain States in imposing upon Russia, by Article 7, obligations inconsistent with her social system and with Article 1 of the Cannes Resolutions.

Clause 7 begins with a fine preamble, recognising the sovereign right of Russia to organise as she thinks fit within her own territory her system of property, her economic system and her Government; but the text of the clause itself is in flagrant contradiction with its preamble. The sovereignty of the Russian State becomes the plaything of chance. It can be defeated by the decisions of a mixed Court of Arbitration composed of four foreigners and one Russian, which will decide in the last instance whether the interests of foreigners are to be subject to the restoration, restitution, or compensation.

On this subject, the Russian Delegation must call attention to the fact that in the trial of disputes of this kind, the specific disagreements will inevitably end in opposing to one another two forms of property, whose antagonism assumes to-day for the first time in history, a real and practical character. In such circumstances there can be no question of an impartial super-arbiter, and according to the sense of Clause 7 the part of super-arbiter would inevitably be filled by the other interested party, a thing which would beyond a doubt lead to the intervention of foreigners in the domestic affairs of Russia, and would be tantamount to an abolition in practice of the inviolability of the system of property existing in Russia recognised at the beginning of Clause 7.

Furthermore, the Russian Delegation considers that Clause 7 has no practical character. Its presence in the Memorandum of May 2nd can only be explained as a result of the desire to satisfy class or party feeling, and not by any means as the result of an adequate knowledge of the state of affairs in Russia. To say nothing of the perpetual conflicts to which this clause would give rise between the claimants and the Russian Government, between the latter and foreign Powers, Clause 7, far from creating between the Soviet regime and the capitalist system that mutual tolerance which is the condition of fertile collaboration, will only tend to poison their relations. Foreigners who went into Russia, not in consequence of a friendly agreement with the Russian Government to work under the protection of Russian laws, but in virtue of the decisions of a mixed Arbitral Tribunal, would soon feel a general hostility toward themselves.

The Russian Government, on its part, in order to enable the former owners of nationalised property to apply their technical knowledge and their capital to the economic restoration of Russia for their own advantage, has recognised in their favour a preferential right in every case where their former property is to be granted as a concession, whether under the form of a lease, a mixed company formed by the State and the foreign capital, or under any other form providing for the participation of foreigners.

The Russian Delegation similarly observes that the interested States, whilst reserving all their solicitude for a small group of foreign capitalists and manifesting an inexplicable doctrinaire intransigence, have sacrificed a large number of foreign capitalists desirous of profiting by the facilities and guarantees offered them by the Russian Government to return and work in Russia, and they have sacrificed as well the interests of a multitude of small holders of Russian bonds and small foreign proprietors whose property has been nationalised or sequestered and whom the Russian Government had intended to include among those the justice and merit of whose claims she recognised. The Russian Delegation cannot refrain from expressing its surprise that Powers like France, in which are found the majority of the small holders of Russian bonds, should have insisted most upon the restitution of property, thus subordinating the interests of the small holders of Russian bonds to those of certain groups who demand the restitution of property.

The Russian Government sent its representatives to the Conference of Genoa in the hope of achieving an agreement with the other States which, without affecting the social and political system established as a result of the revolution and of the intervention victoriously repulsed, would bring about not an aggravation but an improvement of the economic and financial situation of Russia, and would at the same time pave the way to an amelioration of the economic situation of Europe.

But this object presupposed that the foreign Powers who organise the armed intervention in Russia would cease to hold toward Russia the language of a victor to the vanquished, Russia not having been conquered. The only language which could have led to a common agreement was that which States adopt toward each other when negotiating upon a footing of equality.

Russia is still prepared, in order to assure the success of the Agreement to consent to important concessions to the foreign Powers, but on the absolute condition that equivalent concessions in favour of the Russian people shall be made by the other contracting party. The popular masses of Russia could not accept an agreement in which concessions were not balanced by real advantages.

Another issue suggested by the difficulties of the situation would be the reciprocal translation of the claims and counterclaims between Russia and the other Powers arising out of the past. But in this case also, the Russian Government is determined to respect the interests of the small bond-holders.

If, nevertheless, the Powers desire to examine the solution of the financial disputes between themselves and Russia, inasmuch as this question demands a deeper study of the nature and extent of the claims presented to Russia and a more exact appreciation of the credits that could be placed at her disposal, this task might be entrusted to a mixed commission of experts appointed by the Conference whose work should begin at a date and in a place to be determined by mutual agreement.

The Russian Delegation observes that the great obstacle which has, up to the present time, impeded the labours of the Conference, is the fact that the idea of reciprocity expressed above is not yet sufficiently shared by all the Powers. But the Russian Delegation cannot refrain from emphasising the fact that the negotiations which have taken place have opened the way to a rapprochement between Soviet Russia and other Powers. The Russian Delegation is of opinion that the disagreements which have arisen in the course of the solution of the financial differences between Russia and the other Powers ought not to constitute an obstacle to the solution of other problems which can and ought to be solved here at Genoa—problems interesting all countries—and especially the problems involved in the economic reconstruction of Europe and of Russia and the consolidation of peace. Russia came to the Conference with conciliatory intention, and she still hopes that her efforts in this direction will be crowned with success.

Genoa,

May 11th, 1922.

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## **7. Minutes of meeting held at the Villa d'Albertis, Genoa, on Sunday, May 14th, 1922, attended by the chiefs of the Italian, Belgian, British, French and Japanese Delegations.**

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The representatives present considered the reply to be made to the Russian Memorandum of May 11th and agreed to make the following recommendations to the Sub-Committee of the First Commission of the Genoa Conference, meeting without the German and the Russian representatives.

1. The proposal made by the Russian Delegates in their Memorandum of May 11, 1922, for the meeting of a Commission of Experts should be accepted in the form provided in the Annex, and June 26 should be proposed as the date of the meeting.

2. The Powers represented at Genoa, other than Germany and Russia, shall be invited by the President of the Genoa Conference to send representatives to The Hague on June 15, 1922.

for a preliminary exchange of views to consider the line of action to be adopted by the Commission of Experts towards the Russians.

The President of the Genoa Conference should be requested to extend a similar invitation to the United States of America if he ascertains that she is willing to attend.

3. The representatives at The Hague will decide how the Commission which will be charged with the conduct of the negotiations with the Russian Commission is to be composed.

4. The Governments represented at the preliminary exchange of views will, in the light of those discussions, intimate, unless they have already done so, whether or not they are willing to take part in the Commission.

Unwillingness to do so on the part of a Government will not prevent the meeting of the Commission on behalf of other Governments.

5. If no joint recommendations can be submitted by the Commissions of Experts within a period of three months from the date mentioned in Clause 4 of the annexed document or if the joint recommendations are not accepted by the Governments concerned within one month after the date of the recommendations, each Government will be at liberty to make a separate agreement with the Russian Soviet Government on the matters referred to in Clause 3 of the annexed document.

6. The Delegations agreed to recommend their respective Governments not to recognise or support any private agreements made by their nationals with the Russian Soviet Government affecting property previously belonging to other foreigners before the conclusion of the work of the Expert Commissions or during the month following the making of the joint recommendations, if any.

7. The annexed document should be communicated to the Russian Delegation.

8. The Belgian and French Delegations declared that they would recommend their Governments to adhere to the decisions embodied in the present procès-verbal.

#### ANNEXE.

##### *Clauses for communication to the Russian Delegation.*

1. The powers mentioned above\* agree that a Commission of Experts shall be appointed for the purpose of further consideration of the outstanding differences between the Russian Soviet Government and the other Governments and for the purpose of meeting a Russian Commission similarly empowered.

2. The names of the Powers represented in the non-Russian Commission, together with the names of the members of the

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\* *i.e.* The Powers sending the reply to the Russian Delegation.

Commission, will be communicated to the Russian Soviet Government, and the names of the members of the Russian Commission will be communicated to the other Governments, not later than June 20.

3. The matters to be dealt with by these Commissions will comprise all outstanding questions relating to debts, private property and credits.

4. The members of the two Commissions will be at The Hague on June 26, 1922.

5. The Commissions will endeavour to arrive at joint recommendations on the matters dealt with in Clause 3.

6. In order to enable the work of the Commissions to be carried on in tranquillity, and in order to restore mutual confidence, engagements will be entered into binding the Russian Soviet Government on the one hand and the other participating Governments on the other hand to refrain from all acts of aggression against their respective territories and to refrain from subversive propaganda.

The pact to refrain from acts of aggression will be founded on the observance of the existing *status quo*, and will remain in force either until the outstanding frontier questions in Europe are settled, or for a definite period.

The agreement against propaganda will bind all the signatory Governments to abstain from interfering in any way in the internal affairs of other States, from supporting by financial or other means political organisations at work in other countries and also to suppress in their territory attempts to foment acts of violence in other States and attempts which might disturb the territorial and political *status quo*.

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## 8. Clauses adopted by the First Commission at its meeting of May 18, 1922, and confirmed at the Final Plenary Session, May 19, 1922.

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### I.

The Powers mentioned above agree that a Commission shall be appointed for the purpose of further consideration of the outstanding differences between the Russian Soviet Government and the other Governments, and for the purpose of meeting a Russian Commission similarly empowered.

### II.

The names of the Powers represented in the non-Russian Commission, together with the names of the members of the Commission, will be communicated to the Russian Soviet

Government, and the names of the members of the Russian Commission will be communicated to the other Governments, not later than June 20.

### III.

The matters to be dealt with by these Commissions will comprise all outstanding questions relating to debts, private property and credits.

### IV.

The members of the two Commissions will be at the Hague on June 26, 1922.

### V.

The Commissions will endeavour to arrive at joint recommendations on the matters dealt with in Clause III.

### VI.

In order to enable the work of the Commissions to be carried on in tranquillity, and in order to restore mutual confidence, engagements will be entered into binding the Russian Soviet Government and the Governments now allied with the Russian Soviet Government on the one hand, and the other participating Governments on the other hand, to refrain from all acts of aggression against their respective territories, and to refrain from subversive propaganda.

The pact to refrain from acts of aggression will be founded on the observance of the existing *status quo*, and will remain in force for a period of four months from the closing of the work of the Commission.

The agreement against propaganda will bind all the signatory Governments to abstain from interfering in any way in the internal affairs of other States, from supporting by financial or other means political organisations at work in other countries, and also to suppress in their territory attempts to foment acts of violence in other States, and attempts which might disturb the territorial and political *status quo*.

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## PART I.—FIRST COMMISSION.

### B. Documents relating to Russo-German Treaty.

#### 1. Russo-German Treaty, 16th April, 1922.

The Government of the Russian Socialistic Federal Soviet Republic, represented by the People's Commissary for Foreign Affairs, GEORGE TCHITCHERIN, and by the Vice-Commissary for Foreign Affairs, MAXIM LITVINOFF,

and

the German Government, represented by \_\_\_\_\_, have come to an agreement regarding the following provisions :—

#### ARTICLE I.

The two Governments agree that the settlement between Germany and the Russian S.F.S.R. of the questions arising from the period of the state of war between Germany and Russia is to be regulated on the following basis :—

- (a) Germany and the R.S.F.S.R. mutually renounce compensation for their war expenditure as well as compensation for war damages, *i.e.*, the damages which have been caused to them and their nationals in the war area by military measures, including all requisitions in enemy territory. Both parties likewise renounce compensation for civil damages which have been caused to the nationals of one party under the so-called special war legislation or by the forcible measures of the State authorities, of the other party :
- (b) The public and private legal relationships affected by the state of war, including the question of the treatment of vessels of the mercantile marine which have fallen into the hands of the other party, shall be settled on the basis of reciprocity :
- (c) Germany and Russia mutually renounce their claims to reimbursement of their respective expenditure on behalf of prisoners of war. The German Government likewise waives its claim to reimbursement of its expenditure in connection with the soldiers of the Red Army interned in Germany. The Russian Government, on its part, renounces claim to the proceeds of the sale by Germany of the military material brought by the interned soldiers of the Red Army into Germany.

## ARTICLE II.

Germany renounces claims which have arisen through the application up to the present of the laws and measures of the R.S.F.S.R. to German nationals or to their private rights as well as to the rights of Germany and its constituent States against Russia, or from the measures otherwise adopted by the R.S.F.S.R. or its officials against German nationals or their private rights, provided that the Government of the R.S.F.S.R. does not satisfy similar claims of other States.

## ARTICLE III.

Diplomatic and Consular relations between Germany and the R.S.F.S.R. will immediately be resumed. The admission of Consuls of the two parties shall be governed by a special agreement.

## ARTICLE IV.

The two Governments further agree that as regards the general legal position of nationals of the one party in the territory of the other, and the general regulation of mutual commercial and economic relations, the principle of the most-favoured-nation treatment shall apply. The most-favoured-nation principle does not extend to the privileges and facilities which the R.S.F.S.R. grants to any Soviet Republic or to a State which previously formed part of the former Russian Empire.

## ARTICLE V.

The two Governments shall mutually assist, in a spirit of goodwill, in supplying the economic requirements of the two countries. In the event of this question being settled in principle on an international basis, they will exchange views as above. The German Government declared itself ready to support, as far as possible, the agreements contemplated by private firms, which have recently been communicated to it, and to facilitate their execution.

## ARTICLE VI.

Article I, para. *b*, and 4 of the present Treaty shall enter into force on ratification; the other provisions at once.

Signed in duplicate at Rapallo,

April 16th, 1922.

(Signed) RATHENAU.

(Signed) TCHITCHERIN.

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## 2. Note to the German Delegation.

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Genoa,

April 15th, 1922.

MR. PRESIDENT,

The undersigned Powers have learned with astonishment that in the first stage of the Genoa Conference, Germany, without reference to the other Powers assembled there, has secretly concluded a treaty with the Soviet Government.

The questions covered by this treaty are at present the subject of negotiations between the representatives of Russia and those of all the other Powers invited to the Conference, including Germany; and the German Chancellor himself declared at the opening session only a week ago that the German Delegation would co-operate with the other Powers for the solution of these questions in a spirit of genuine loyalty and fellowship.

The undersigned Powers have therefore to express to the German Delegation in the frankest terms their opinion that the conclusion of such an agreement, while the Conference is in session, is a violation of the conditions to which Germany pledged herself in entering the Conference.

By inviting Germany to Genoa and by offering representation to her in every Commission on equal terms with themselves, the inviting Powers proved their readiness to waive the memories of war and granted Germany the opportunity of honest co-operation with her former enemies in the European tasks of the Conference. To that offer of goodwill and fellowship Germany has replied with an act which destroys that spirit of mutual confidence which is indispensable to international co-operation and the establishment of which is the chief aim of this Conference.

At all conferences unofficial conversations between the parties are permissible and often desirable. They are helpful so long as they are designed to facilitate the common task and so long as the results are brought to the Conference table for common discussion and decision. But that is not what the German delegates have done.

Whilst the Conference was sitting and whilst Germany was represented on the Commission and sub-Commission charged with the negotiation of the European peace with Russia on the basis of the Cannes stipulations, the German representatives on that Commission have, behind the backs of their colleagues, concluded in secret a treaty with Russia on the very questions which they had undertaken to consider in loyal conjunction with the representatives of other nations. This treaty is not subject to any examination or sanction by the Conference. We understand that it is final and that it is not proposed to submit it to the judgment of the Conference. It is, in fact, a violation of some of the principles on which the Conference is based.

In these circumstances the undersigned do not consider it fair or equitable that Germany, having effected her own arrangement with Russia, should enter into the discussion of the conditions of an arrangement between their countries and Russia; and they therefore assume that the German Delegates have by their action renounced further participation in the discussion of the conditions of an agreement between Russia and the various countries represented at the Conference.

Please accept, Mr. President, the assurance of our high consideration.

(Signed) D. LLOYD GEORGE.  
 LOUIS BARTHOU.  
 FACTA.  
 K. ISHII.  
 G. THEUNIS.  
 EDOUARD BENES.  
 C. SKIRMUNT.  
 M. NINCIC.  
 CONST. DIAMONDY.  
 M. TEIXEIRA-GOMES.

To the

President of the German Delegation,  
 Genoa Conference.

18th April, 1922.

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### 3. Note from the German Delegation in Reply to Note of 18th April.

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German Delegation,  
 Genoa,  
 21 April, 1922.

MR. PRESIDENT,

In reply to the note of the 18th inst., signed by yourself and by the Presidents of the French, British, Japanese, Belgian, Czecho-Slovak, Polish, Serb-Croat-Slovene, Roumanian, and Portuguese Delegations, I have the honour to submit the following observations.

Germany recognised the Russian Soviet Republic several years ago. Before normal diplomatic relations could be established, however, it was necessary for the two countries to conclude an agreement to liquidate the consequences of the war. The negotiations entered into by the two Governments in this connection had already, several weeks ago, reached a sufficiently advanced stage to allow of the conclusion of an agreement.

The agreement with Russia was especially important for Germany in that it placed her upon a peace footing, without involving the prospect of indefinite indebtedness, with one of the great nations which had taken part in the war, and permitted the establishment of friendly relations unhampered by the burdens of the past.

Germany came to Genoa, earnestly desiring to co-operate with all nations in the reconstruction of a suffering Europe, and relying upon an international spirit of solidarity in matters of mutual concern.

The proposals set forth in the London programme ignored German interests. Their acceptance would have led to oppressive demands for reparation from Russia. Several of the provisions would have resulted in laying upon Germany alone the whole burden of the consequences of the legislation promulgated under the Czarist regime during the war.

In the course of the detailed discussion which had taken place, the German delegation has, on more than one occasion, drawn the attention of members of the delegations of the inviting Powers to these grave difficulties. Their observations, however, have led to no result. On the other hand, the German Delegation learnt that the inviting Powers had initiated separate negotiations with Russia. From information received regarding these negotiations, it seemed that an agreement was about to be reached, in which the legitimate desires of Germany were not considered. Under these circumstances the German Delegation was clearly forced to safeguard its interests by direct means. It would otherwise have been confronted, at the meeting of the Commission, with a scheme which, while not acceptable to Germany, would already have been approved by the majority of the members. For this reason the Treaty with Russia was signed on Sunday evening, in exact conformity with the draft of several weeks previously, and was immediately made public.

These facts clearly prove that the German Delegation entered into negotiations with Russia, not with any sentiment of disloyalty, but under constraint. It is also clear that the German Delegation has made every endeavour to prevent its action assuming a secret character.

It would be in entire conformity with the wishes of the German Delegation if the Conference succeeded in arriving at a general settlement of the Russian problem, and in including the German-Russian Treaty within the scope of such settlement. It would seem that this object is within the bounds of possibility. The Treaty does not in any way affect the relations of third Powers with Russia. Moreover, each of its stipulations is based upon the principle which you have justly stated to be the chief aim of the Conference, namely, that of regarding the past as definitely closed and of seeking to lay a foundation for the common work of peaceful reconstruction.

As regards subsequent discussions of Russian questions by the Conference, the German Delegation itself also considers it fitting that, unless its collaboration is particularly desired, it should take no further part in the deliberations of the First Commission on question similar to those already settled between Germany and Russia. On the other hand, the German Delegation is still interested in all questions assigned to the First Commission which do not relate to the points settled in the German-Russian Treaty.

The German Delegation has followed the progress of the work of the Commissions with satisfaction. It is in full sympathy with the spirit of solidarity and mutual confidence which inspired these labours. Far from wishing to withdraw from European co-operation, it is prepared to collaborate in the tasks to be performed by the Genoa Conference with the object of the reconciliation of nations and the adjustment of the interests of East and West.

Please accept, Mr. President, the assurance of my highest consideration.

(Signed) WIRTH.

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#### 4. Note in Reply to German Note of April 21st, 1922.

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Genoa,  
April 23rd, 1922.

MR. PRESIDENT,

The undersigned desire to acknowledge the receipt of your reply to their Note of April the 18th, indicating the attitude which they felt bound to adopt in view of the treaty concluded between the Russian and German Delegations. They note with satisfaction that the German Delegation realises that the conclusion of a separate treaty with Russia on matters falling within the purview of the Conference renders it undesirable that that Delegation should participate in future in the discussion of the conditions of an agreement between Russia and the various countries represented at the Conference.

The undersigned would have preferred to refrain from further correspondence on the subject. There are however certain statements in your letter which they feel it their duty to correct.

Your letter suggests that the German Delegation have been forced to conclude a separate agreement with Russia by the refusal of members of the Delegations of the Inviting Powers to consider the grievous difficulties which the proposals formulated by their experts in London would have created for Germany. The under-

signed representatives of the Inviting Powers have made enquiries of the members of their respective Delegations and find that there is no shadow of justification for this statement.

On various occasions members of the German Delegation have met and talked with members of the Delegations of the Inviting Powers, but never has it been suggested that the London proposals afforded no basis for discussion in Conference, and that the German Delegation were about to conclude a separate Treaty with Russia.

The allegation that the informal discussions with the Russians on the subject of the recognition of debts, exposed the Delegation to the risk of being confronted with a scheme unacceptable to Germany but already approved by the majority of the Members of the Commission is equally unfounded. No scheme would or could have been accepted by the Conference without the fullest opportunity for discussion in the competent committees and sub-committees, and in these Germany was represented on a footing of equality with other Powers.

A misconception of the scope of the experts' proposals or misunderstanding of the informal conversations with the Russians might well have justified a request for full discussion in the Committees of the Conference. They can provide no justification for the action which has now been taken, and the undersigned can only regret that your note should have attempted in this way to impose on the other Powers the responsibility for a proceeding so contrary to the spirit of loyal co-operation which is essential to the restoration of Europe.

The undersigned expressly reserve for their Governments the right to declare null and void any clauses in the Russo-German Treaty which may be recognised as contrary to existing Treaties.

The incident may now be regarded as closed.

Please accept, Mr. President, the assurance of our high consideration.

(Signed) D. LLOYD GEORGE  
 LOUIS BARTHOU  
 FACTA.  
 K. ISHII.  
 G. THEUNIS.  
 EDUARD BENES  
 C. SKIRMUNT  
 M. NINCIC.  
 CONST. DIAMONDY  
 M. TEIXIRA-GOMES.

To the

President of the German Delegation,  
 Genoa Conference

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## PART II.

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### Report of the Second Commission (Finance).

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#### INTRODUCTION.

The Second Commission, which was appointed by the Conference to deal with financial subjects, met on the 11th April, 1922, at 4 p.m., and appointed a Sub-Commission to consider the proposals in regard to Currency. At the second meeting, held on the 13th April, a second Sub-Commission was appointed on Credits, and a third Sub-Commission on Exchange.

The Currency Sub-Commission held a preliminary meeting on the 12th April, and at a second meeting on the 13th April decided to constitute a Committee of Experts to consider the matters referred to it.

The Report of the Committee of Experts (Annex A) was received on the 17th April.

The Exchange Sub-Commission met on the 17th April, and decided to refer the proposals before it to the Committee of Experts which had been dealing with Currency.

The further Report of the Committee of Experts in regard to Exchange (Annex B) was received on the 19th April and the two reports were then considered at a joint meeting of the Sub-Commissions on Currency and Exchange.

The reports were adopted, and the resolutions framed by the Committee of Experts were recommended by the Sub-Commissions, with modifications, for adoption. (Resolutions 1 to 11, and 14 to 15 below.)

A further resolution (Resolution 12), relative to the steps to be taken to call a meeting of central banks and banks regulating credit policy in the several countries, was recommended by the Sub-Commission on Currency.

The recommendations of the Sub-Commissions on Currency and Exchange were adopted by the Commission at a meeting held on the 20th April.

The Sub-Commission on Credits held meetings on the 24th April and 26th April, and recommended four resolutions (Resolutions 16 to 19) which were adopted by the Commission at a meeting on the 29th April.

The 19 resolutions there adopted are now recommended to the Conference for adoption.

## I.—CURRENCY.

*Resolution 1.*

The essential requisite for the economic reconstruction of Europe is the achievement by each country of stability in the value of its currency.

*Resolution 2.*

Banks, and especially banks of issue, should be free from political pressure, and should be conducted solely on lines of prudent finance. In countries where there is no central bank of issue, one should be established.

*Resolution 3.*

Measures of currency reform will be facilitated if the practice of continuous co-operation among central banks of issue, or banks regulating credit policy in the several countries can be developed. Such co-operation of central banks, not necessarily confined to Europe, would provide opportunities of co-ordinating their policy, without hampering the freedom of the several banks. It is suggested that an early meeting of representatives of central banks should be held with a view to considering how best to give effect to this recommendation.

*Resolution 4.*

It is desirable that all European currencies should be based upon a common standard.

*Resolution 5.*

Gold is the only common standard which all European countries could at present agree to adopt.

*Resolution 6.*

It is in the general interest that European Governments should declare now that the establishment of a gold standard is their ultimate object, and should agree on the programme by way of which they intend to achieve it.

*Resolution 7.*

So long as there is a deficiency in the annual budget of the State which is met by the creation of fiduciary money or bank credits, no currency reform is possible, and no approach to the establishment of the gold standard can be made. The most important reform of all must therefore be the balancing of the annual expenditure of the State without the creation of fresh credits unrepresented by new assets. The balancing of the budget requires adequate taxation, but if Government expenditure is so high as to drive taxation to a point beyond what can be paid out

of the income of the country, the taxation itself may still lead to inflation. Reduction of Government expenditure is the true remedy. The balancing of the budget will go far to remedy an adverse balance of external payment, by reducing internal consumption. But it is recognised that in the case of some countries the adverse balance is such as to render the attainment of equilibrium in the budget difficult without the assistance in addition of an external loan. Without such a loan, that comparative stability in the currency upon which balancing of the budget by the means indicated above largely depends may be unattainable.

#### *Resolution 8.*

The next step will be to determine and fix the gold value of the monetary unit. This step can only be taken in each country when the economic circumstances permit; for the country will then have to decide the question, whether to adopt the old gold parity or a new parity approximating to the exchange value of the monetary unit at the time.

#### *Resolution 9.*

These steps might by themselves suffice to establish a gold standard, but its successful maintenance would be materially promoted, not only by the proposed collaboration of central banks, but by an international Convention to be adopted at a suitable time. The purpose of the Convention would be to centralise and co-ordinate the demand for gold, and so to avoid those wide fluctuations in the purchasing power of gold, which might otherwise result from the simultaneous and competitive efforts of a number of countries to secure metallic reserves. The Convention should embody some means of economising the use of gold by maintaining reserves in the form of foreign balances, such, for example, as the gold exchange standard, or an international clearing system.

#### *Resolution 10.*

It is not essential that the membership of the international Convention contemplated in the preceding resolution should be universal, even in Europe, but the wider it is, the greater will be the prospect of success.

Nevertheless, if the participating countries and the United States are to use the same monetary standard, no scheme for stabilising the purchasing power of the monetary unit can be fully effective without co-ordination of policy between Europe and the United States, whose co-operation therefore should be invited.

#### *Resolution 11.*

It is desirable that the following proposals to form the basis of the international Convention contemplated in Resolution 9 be submitted for the consideration of the meeting of central banks suggested in Resolution 3 :

1. The Governments of the participating countries declare that the restoration of a gold standard is their ultimate object, and they agree to carry out, as rapidly as may be in their power, the following programme :

- (a) In order to gain effective control of its own currency, each Government must meet its annual expenditure without resorting to the creation of fiduciary money or credits for the purpose.
- (b) The next step will be, as soon as the economic circumstances permit, to determine and fix the gold value of the monetary unit. This will not necessarily be at the former gold par.
- (c) The gold value so fixed must then be made effective in a free exchange market.
- (d) The maintenance of the currency at its gold value must be assured by the provision of an adequate reserve of approved assets, not necessarily gold.

2. When progress permits, certain of the participating countries will establish a free market in gold and thus become gold centres.

3. A participating country, in addition to any gold reserves held at home, may maintain in any other participating country reserves of approved assets in the form of bank balances, bills, short term securities or other suitable liquid resources.

4. The ordinary practice of a participating country will be to buy and sell exchange on other participating countries within a prescribed fraction of parity, in exchange for its own currency on demand.

5. The Convention will thus be based on a gold exchange standard. The condition of continuing membership will be the maintenance of the national currency unit at the prescribed value. Failure in this respect will entail suspension of the right to hold the reserve balances of other participating countries.

6. Each country will be responsible for the necessary legislative and other measures required to maintain the international value of its currency at par, and will be left entirely free to devise and apply the means, whether through regulation of credit by central banks or otherwise.

7. Credit will be regulated, not only with a view to maintaining the currencies at par with one another, but also with a view to preventing undue fluctuations in the purchasing power of gold. It is not contemplated, however, that the discretion of the central banks should be fettered by any definite rules framed for this purpose, but that their collaboration will have been assured in matters outside the province of the participating countries.

#### *Resolution 12.*

With a view to the development of the practice of continuous co-operation among central banks and banks regulating credit policy in the several countries, as recommended in Resolution 3, this Conference recommends that the Bank of England be requested to call a meeting of such banks as soon as possible to

consider the proposals adopted by the Conference, and to make recommendations to their respective Governments for the adoption of an International Monetary Convention.

## II.—THE FLIGHT OF CAPITAL.

### *Resolution 13.*

We have considered what action, if any, could be taken to prevent the flight of capital in order to avoid taxation, and we are of the opinion that any proposals to interfere with the freedom of the market for exchange, or to violate the secrecy of bankers' relations with their customers are to be condemned. Subject to this proviso, we are of the opinion that the question of measures for international co-operation to prevent tax evasion might be usefully studied in connection with the problem of double taxation which is now being studied by a Committee of Experts on behalf of the League of Nations. We therefore suggest that the League should be invited to consider it.

## III.—EXCHANGE.

### *Resolution 14.*

All artificial control of operations in exchange, whether by requiring a licence for transactions in exchange, or by limiting the rates at which transactions may be effected, or by discriminating between the different purposes for which the exchange may be required, or by preventing free dealings in forward exchange is futile and mischievous, and should be abolished at the earliest possible date.

### *Resolution 15.*

It is desirable that, where no adequately organised market in forward exchange exists, such a market should be established. It has been suggested that, in any country where private enterprise is found to be unable to organise such a market, the central bank, without itself incurring any uncovered exchange risk, should provide facilities. It might, for example, give facilities to approved banks and financial houses to convert spot transactions in foreign exchange into transactions for forward delivery by a system of "contango," or "reports" of foreign exchange, their quotations being for the double transaction of a spot deal one way and a simultaneous forward deal the other.

The central banks concerned would agree to provide facilities for holding foreign balances (and securities) on deposit on account of other central banks, under special guarantees from each bank and from its Government as to the absolute liquidity and freedom of movement of such balances under all conditions, and their absolute exemption from taxation, forced loans and moratorium.

It is recommended that this subject should be considered by the Conference of central banks referred to in a previous Resolution.

## IV.—CREDITS.

*Resolution 16.*

The reconstruction of Europe depends on the restoration of conditions under which private credits, and in particular investible capital, will flow freely from countries where there is surplus lending capacity to countries which are in need of external assistance.

Loans from Government to Government ought to be resorted to, if at all, only in the most exceptional cases. The free flow of private credits and of investible capital depends upon the taking of adequate measures by all countries to restore order to their public finances and their currencies, and the furnishing by borrowing countries of guarantees satisfactory to lenders. Special machinery is necessary during the present transitional period to start the flow and to enable the co-operation of the financially stronger countries to begin to be immediately effective.

*Resolution 17.*

It is essential that countries in need of credits should undertake to give effect to the best of their ability to the resolutions regarding currency and exchanges already adopted.

Proof of serious efforts to improve the condition of its public finances will be the best guarantee which a borrowing country can offer to prospective lenders. The steps required for re-establishing the disordered currencies of Europe have already been set out. In arriving at a balanced budget attention should be concentrated on the following main points :

- (a) Ordinary revenue and expenditure should be equalised by reducing expenditure and, in so far as this is not possible, by increasing revenue.
- (b) All expenditure of an extraordinary character should be progressively reduced until it is entirely abolished, and should not be met out of borrowed money unless it is clearly of the nature of new capital expenditure for productive purposes. In so far as borrowing is resorted to, long term loans are preferable to short terms, and in no case should methods be adopted which lead directly or indirectly to inflation.

*Resolution 18.*

Full information is essential to the creation and maintenance of confidence. Each country should undertake the publication of frequent and complete statements of the condition of its public finances. It will be useful that such statements should be regularly supplied to the League of Nations and that the League of Nations should continue to compile and issue periodical volumes based on returns from as many countries as possible, whether members of the League or not.

*Resolution 19.*

In order to facilitate the immediate co-operation of the nationals of the economically stronger countries for purposes of reconstruction, it is recommended that as many as possible of the Governments represented at the Genoa Conference should agree to support the establishment and facilitate the operations of an International Corporation and of national corporations affiliated to it in countries where adequate security offers, whether by the provision of private loans or credits or, where necessary, in the form of loans to Governments, whose main object would be to examine the opportunities for undertaking work in connection with European reconstruction, to assist in the financing of such undertakings, and to co-operate with other agencies and undertakings, without attempting to create any monopoly.

## ANNEXES.

REPORTS OF THE COMMITTEE OF EXPERTS APPOINTED BY THE  
CURRENCY AND EXCHANGE SUB-COMMISSIONS OF THE  
FINANCIAL COMMISSION.

## ANNEX A.—CURRENCY.

We have carefully examined the documents referred to us by the Currency Sub-Commission, and in doing so, we have surveyed the existing currency situation throughout Europe. Our conclusions follow to a considerable extent those of the experts assembled in London. The interesting suggestions made by the various delegations have also been fully weighed, and we believe that the main points raised by them are covered by our report.

In presenting our report we desire to make the following general observations.

1. We recognise that we have to deal with two different classes of countries :

*Class 1.* Countries where inflation has taken place, but has already been stopped, and where a certain amount of deflation has already been effected.

*Class 2.* Countries where inflation is still going on.

In countries of Class 2 it is essential, in order to establish a sound currency, that inflation should be stopped, and that they should thus pass over into Class 1. The programme specified in Resolutions 6 to 8 describes the steps by which this transition should be effected. In some cases it cannot be effected without assistance from abroad, including the provision of foreign assistance in the organisation of a central bank of issue in certain cases.

2. The question of devaluation is one which must be decided upon by each country according to its view of its own special requirements. We think it important however to draw attention to some of the considerations which will necessarily weigh with any country in coming to a decision on this question. There is a

prevalent belief that a return to pre-war gold parity is necessary or desirable for its own sake. There are undoubted advantages to be obtained by such a return, but we desire to point out that for countries where currency has fallen very far below the pre-war parity, a return to it must involve the social and economic dislocation attendant upon continuing readjustments of money-wages and prices, and a continual increase in the burden of internal debt. Regard being had to the very large debts which have been incurred since the Armistice by many of the countries concerned, we are inclined to think that a return to the old gold parity involves too heavy a strain upon production. We repeat that the decision must be left in each case to the country concerned, but we venture to suggest that a considerable service will be rendered both to its own internal economy and to the cause of European recovery by that country which, after reaching comparative stability in its currency at a point so far below the old parity as to make return to it a long and painful process, first decides boldly to set the example of securing immediate stability in terms of gold by fixing a new gold par at or near the figures at which comparative stability has been attained.

3. Finally, we cannot in fairness to the Currency Sub-Commission present a series of recommendations designed to secure practical results, as if they were immediately attainable, without reference to certain other features of the existing economic and financial position of Europe. The industry of Europe cannot hope for a permanent return to prosperity so long as it has to bear, either directly in the form of taxation, or indirectly in the form of inflation of currencies, the most insidious and objectionable of all forms of taxation, a burden of Government expenditure which is beyond its capacity. In this connection we cannot do better than refer to the memorial on International Finance and Currency submitted to the Governments of certain countries, dated January 16th, 1920, which was among the documents laid before the International Financial Conference at Brussels of September, 1920. The whole of this memorial, though now more than two years old, is as apposite to-day as when it was written, and until the subjects to which it refers, and in particular the problem of Inter-Governmental indebtedness, have been resolutely tackled, there can be no hope of final success in restoring the currencies or the economic welfare of Europe. Foreign obligations by one country must be balanced by a capacity in other countries to absorb the surplus production with which alone those obligations can be met. If the burden of any country's external obligations is beyond its capacity to pay, and it cannot be assisted by foreign loans, the effort to meet those obligations must accordingly result on the one hand in dislocation of markets in other countries, and on the other hand in a continuous depreciation of the currency of the debtor country, which will entirely prevent it from making any start whatever in the direction of stabilisation.

4. With these preliminary observations, we present the following resolutions,\* which we suggest as suitable to be recommended by the Currency Sub-Commission, for adoption by the Governments represented at this Conference. It will be observed that the recommendations include a plan for an International Monetary Convention.

#### ANNEX B.—EXCHANGE.

We present the following resolutions<sup>†</sup> as suitable to be recommended by the Exchange Sub-Commission for adoption by the Governments represented at this Conference. Our main recommendation is that there should be complete freedom for exchange dealings. We have not attempted to set out the deep-seated causes of the existing dislocation of the European exchanges. Some of these causes are referred to in the introduction to our Report to the Currency Sub-Commission. Any attempt at a complete survey would carry us far beyond the proper limits of the present report. As with currency, so with exchange, complete restoration depends on the settlement of questions which are not now within our purview.

We considered carefully the amendment proposed by the German Delegation with regard to measures for preventing the flight of capital for the purpose of evading taxation. We came to the conclusion that this question should be regarded as falling within the province of the Currency Sub-Commission. We have therefore reported to the Currency Sub-Commission as follows :

Any proposals to interfere with the freedom of the market for exchange or to violate the secrecy of bankers' relations with their customers are, in our opinion, absolutely to be condemned. Subject to this proviso, we are of opinion that the question of measures for international co-operation to prevent tax evasion might be usefully studied in connection with the problem of double taxation, which is now being studied by a Committee of Experts on behalf of the League of Nations. We therefore suggest that the League should be invited to consider it.

*Signed by :*

Sir BASIL BLACKETT.  
 Prof. CASSEL.  
 Dr. HAVENSTEIN.  
 Dr. VISSERING.  
 M. AVENOL.  
 Sir HENRY STRAKOSCH.  
 M. DUBOIS.  
 Comm. BIANCHINI.  
 Hon. R. H. BRAND.

M. CATTIER and Dr. POSPISIL were unable to attend the experts' meetings.

\* The resolutions submitted were those which, with modifications, have been adopted above by the Financial Commission. See resolutions 1-11.

† The resolutions submitted were those which, with modifications, have been adopted above by the Financial Commission. See resolutions 14-15.



## PART III.

### Report of the Third Commission (Economic).

#### INTRODUCTION.

The Third Commission, appointed to consider the proposals of an economic character, met for the first time on April 13th, 1922. On the motion of the Italian delegate, M. Maurice Colrat, French delegate, was elected to the chair.

After deciding to base its labours on the joint report of the London Experts, the Commission appointed two Sub-Commissions. The First Sub-Commission, under the chairmanship of M. Colrat, examined Articles 41 to 53 of the London Report. The Second Sub-Commission, under the chairmanship of M. J. H. Ricard, French expert, examined Articles 54-57 of the Report. A technical Committee presided over by M. Fagnot, French expert, was entrusted by the First Sub-Commission with the consideration of questions relating to Labour. The First Sub-Commission held seventeen meetings, from April 14th to May 5th, and the Second Sub-Commission eight meetings, from April 14th to 27th.

The Commission considered the reports of the two Sub-Commissions at two Plenary meetings on April 28th and on May 5th, and approved the following recommendations, which are submitted to the Conference for adoption.

#### CHAPTER I.

##### CUSTOMS TARIFFS; CUSTOMS RESTRICTIONS; TREATIES AND CONVENTIONS.

##### ARTICLE I.

In order that the economic reconstruction of Europe may proceed under conditions assuring rapidity and security, it is desirable that:

- (1) the territorial changes resulting from the world war should alter as little as possible the normal channels of trade;

accordingly, the States which have arisen out of these changes, or which have acquired ceded territory, should, in the full exercise of their sovereignty, set themselves to take all legal and administrative measures, and, where requisite, proceed to come to arrangements or agree upon joint recommendations such, for example, as those of Portorose;

- (2) in order to secure to all the countries of Europe the possibility of returning to the normal exchange of goods and the prosperity resulting therefrom, assurance should be afforded to international commerce by all States against the exposure of imports and exports to the serious obstacles created by instability in administrative and legal measures.

#### A. CUSTOMS TARIFFS.

##### ARTICLE 2.

All Customs tariffs should be published ; such publication should be accompanied by a clear and precise indication in regard to each category of goods of all the duties collected by the Customs Authorities which are leviable on the importation or exportation of the goods concerned. In giving this indication, Customs duties should be distinguished from other charges collected by the Customs Authorities at the time of importation or exportation, in such a manner as to show clearly and exactly in the case of each kind or category of goods the total amount payable upon each unit forming the basis of taxation.

Efforts should be made to render the nomenclature of Customs tariffs as comparable as possible, and to assimilate it to commercial terminology.

The general adoption of common principles for economic statistics is desirable.

##### ARTICLE 3.

Tariffs should be made so far as possible applicable over substantial periods of time, and changes in rates and in Customs regulations should be made as rarely as possible, and duly published. States are invited to consider the possibility of taking the necessary steps to allow goods accompanied by direct bills of lading, proving that the said goods were despatched before the date of the publication of a new tariff, to benefit by the application of the old rate of duty, other than goods already warehoused in the country of destination. The practice of frequent modification for the purpose of economic warfare should be entirely abandoned.

##### ARTICLE 4.

The right of States must be recognised to dispose freely of their natural resources, and to reserve to themselves by all appropriate means, their output of raw materials, where this appears to be insufficient in quantity to meet the consumption of the national industry, or to be threatened with a deficit owing to the increased demand from foreign countries resulting from exceptional financial or economic conditions.

On the other hand, if the output of raw materials is consider-

ably in excess of the needs of the country of origin, it is desirable that their exportation should not be subjected to conditions putting foreign users in a markedly inferior position.

To this end, no export duty should be maintained or imposed upon raw materials, the output of which exceeds home needs, except duties of a purely fiscal character which, on account of their character as such, should not exceed a low percentage of the value of the product, although they may vary according to the country and the nature of the product.

The principles above cited should be adopted as far and as soon as possible, but it is recognised that certain States cannot, having regard to the exceptional conditions in which they find themselves, put them into practice so long as these circumstances exist.

Subject to treaties and agreements, export duties should not vary according to the foreign country of destination.

#### ARTICLE 5.

Subject to the existing Treaties and Agreements with regard thereto, the régime applied by each of the States to the merchandise of the other States, whether imported or exported, should not depend in any case upon the flag of the vessel in which the goods are carried, or upon the nationality of its owner.

### B. IMPORT AND EXPORT PROHIBITIONS.

#### ARTICLE 6.

Whatever may be the importance of the reasons of an economic or financial character alleged by certain States, in the exceptional circumstances in which they find themselves, as justifying the maintenance or institution of import or export prohibitions or restrictions, it is recognised that these measures constitute at the present time one of the gravest obstacles to international trade.

In consequence, it is desirable that no effort should be spared to reduce them as soon as possible to the smallest number

#### ARTICLE 7.

Certain exceptions to this rule must be anticipated, notably in the case of goods subject to a monopoly, or for the purpose of providing for national necessities, the safeguarding of public health, morals or security, or the protection of animals and plants from pests and diseases.

But the restriction of imports or exports by means of a system of prohibitions subject to licences, for whatever reason it may be established, interferes to such an extent with international trade that its inconveniences should be reduced as much as possible by arrangements which will permit traders to ascertain easily and in advance the conditions under which licences can be obtained.

## ARTICLE 8.

It is accordingly agreed that, if licences are granted, the conditions under which they can be obtained should be publicly announced and clearly stated; that the licensing system should be as simple and unvarying as possible, and that every arrangement should be made to secure that applications for licences addressed to the authorities or organisations which are declared to be competent for the purpose, should be dealt with rapidly.

## C. TREATIES AND CONVENTIONS.

## ARTICLE 9.

The Conference recalls the principle of the equitable treatment of commerce set out in Article 23 of the Covenant of the League of Nations, and earnestly recommends that commercial relations should be resumed upon the basis of commercial treaties, on the one hand resting upon the system of reciprocity adapted to special circumstances, and on the other hand containing, so far as possible, the most-favoured-nation clause.

*Note 1.*—The majority of the States represented on the Commission, while recognising the temporary difficulties which may preclude the general adoption of the most-favoured-nation treatment, declare that this is the goal at which they should aim.

*Note 2.*—The majority of the States also declare that it is desirable that the States should not bind themselves in any commercial treaties which they may make either among themselves or with other States, by any stipulation which would prevent the extension to other States of reductions of Customs duties or Customs facilities accorded by one to another.

## ARTICLE 10.

Where the admission or transit of goods of any description into any country, or the duties leviable thereon, are dependent on the fulfilment of particular technical conditions with regard, for instance, to their constitution, their purity, their district of origin, or their sanitary condition, it is desirable that the Governments should make with each other and put into operation arrangements providing for the acceptance, in accordance with rules and principles mutually agreed, of certificates issued by competent scientific institutions, or recognised authorities or bodies in the country of origin of the goods.

## D. GENERAL PROVISIONS.

## ARTICLE 11.

The questions relating to dumping and differential prices being among those which concern most closely the equitable treatment of commerce, it is desirable that the League of Nations should undertake at an early date an enquiry on the subject.

## ARTICLE 12.

The League of Nations, in collaboration with other competent organisations established by international convention, such as the International Institute of Agriculture, is invited to facilitate the carrying into effect of Articles 2 and 8 by all the means which are at its disposal, or which are furnished by the States represented at the Conference.

## ARTICLE 13.

It is desirable that all the Governments concerned should inform the League of Nations without delay of all modifications introduced in their Customs tariffs and in their regulations relating to import or export prohibitions or restrictions.

## CHAPTER II.

## COMMERCIAL ARBITRATION.

## ARTICLE 14.

It is desirable that the enquiries now being made by the League of Nations, as to the best means of safeguarding the validity of voluntary agreements to refer to arbitration disputes arising out of commercial contracts, should be continued.

## CHAPTER III.

## TREATMENT OF FOREIGNERS IN THE CONDUCT OF BUSINESS.

## ARTICLE 15.

Without prejudice to existing Treaties or Agreements, or to further conventions which it is desirable should be concluded in regard to the treatment of foreigners, it is recognised that, in order to facilitate economic relations between different countries, persons, firms or companies, whether commercial, industrial, financial or insurance, should not be subjected, in the event of their exercising their industry or trade or other occupation abroad, to taxes or impositions of any kind which place them in a less favourable position than nationals. National treatment should therefore be the rule in fiscal matters, save in exceptional cases which can only be justified by the necessities of the public interest. Such exceptions from national treatment should be applicable to all foreigners without distinction of nationality, whether persons, firms or companies, commercial, industrial, financial or insurance.

The provisions above indicated should similarly be applied in the case of persons, firms or companies, commercial, industrial, financial or insurance, established in a foreign country in accordance with the laws of the country.

It is further necessary, that the taxes and impositions referred to in the two preceding paragraphs should be strictly limited to that part of the capital effectively engaged within the country in which they are levied, and to those operations only which are undertaken in that country.

It is recognised that double taxation should be avoided by agreements between nations, the principles of which may be suitably brought out in the investigation being undertaken by the League of Nations.

*Note.*—The Italian Delegation draws attention in this connection to the draft Convention prepared at Rome on the 6th April, 1822, by Italy and the other Succession States of Austria-Hungary, and it is recognised that this constitutes a first initiative in the international regulation of this question. (See Annex.)

#### ARTICLE 16.

It is desirable that, in the matter of passport visa regulations, all countries should apply as soon and as widely as possible the recommendations and resolutions of the International Conference on Passports, Customs Formalities and Through Tickets, held at Paris in October, 1920, under the auspices of the Provisional Committee on Communications and Transit of the League of Nations.

Among these resolutions, the most urgent are the following.

- (a) The abolition of the visa for exit.
- (b) In general all entrance visas to be valid for one year.  
The validity of a transit visa to be the same as the period of the validity of the visa of the country of destination.
- (c) The maximum fees charged for visa to be :
 

Entrance visa ...	10 francs gold.
Transit visa ...	1 franc gold.

*Note.*—It is desirable that the Governments concerned should consider the possibility of a considerable reduction in the case of emigrants.

- (d) The transit visa, unless for exceptional reasons (*e.g.*, undesirables), to be issued without enquiry solely upon production of the entrance visa for the country of destination in addition to transit visas for the intermediate countries.

It is further desirable that all States should adopt the recommendations of the Conference above referred to concerning the suppression of the examination of registered luggage in transit, and of travellers and securities in transit, and that States with a common frontier should come as far as possible to arrangements to facilitate Customs examinations in accordance with the proposals of the Conference.

## CHAPTER IV.

## PROTECTION OF INDUSTRIAL, LITERARY AND ARTISTIC PROPERTY.

## ARTICLE 17.

It is desirable that all European States which have not already adhered to the International Convention of Paris of the 20th March, 1883, as revised at Washington in 1911, for the protection of industrial property, and to the International Convention of Berne of the 9th September, 1886, revised at Berlin on the 13th November, 1908, and completed by the additional Protocol signed at Berne on the 20th March, 1914, for the protection of literary and artistic work, should adhere to these Conventions, and should take the necessary steps for this purpose as soon as possible.

## ARTICLE 18.

Pending the adhesion referred to in Article 17, every European State, in which foreign industrial, literary and artistic property is not now protected, undertakes to give effective protection to such property on condition of reciprocity. Without prejudice to the treaties and agreements which regulate the question for the present and for the future, each State shall recognise, restore and protect all rights in such property belonging to the nationals of other States, which would now be in force in its territory, but for any exceptional legislative or administrative action taken in consequence of war or revolution between the 1st August, 1914, and the present date.

*Note.*—In the opinion of some of the experts, it is highly desirable that any European State which is not already a party thereto should adhere to the Arrangement signed at Madrid on the 14th April, 1891, for the suppression of false indications of origin.

## CHAPTER V.

## AGRICULTURE.

## ARTICLE 19.

Agriculture being from the economic and social point of view an essential factor in the reconstruction of Europe, it is desirable that the States should encourage in every way the development of agricultural production.

## ARTICLE 20.

It is further desirable that the States should give special attention to the labours of the International Institute of Agriculture, and that, in development of the practice of holding international agricultural congresses, the agricultural representatives of the various countries concerned, both of the government and of the industry, should meet in international conference, to agree upon the measures to be recommended to their respective Governments.

## CHAPTER VI.

## LABOUR.

## ARTICLE 21.

The economic reconstruction of Europe requires intensified production, which depends essentially on labour.

The greatest importance should be attached to the assistance which the workers, men and women, of the whole world, and their organisations, are willing and able to give, in association with other factors in production, to the economic restoration of Europe.

In order to obtain the fullest effort on the part of the workers, and in order to avoid regrettable competition between nations, the attention of all States is drawn to the importance of the Conventions and Recommendations adopted by the International Labour Conferences, it being understood that each State reserves its right with regard to the ratification of any one or more of the Conventions.

## ARTICLE 22.

The present economic crisis, which affects not only production but also the consuming capacity of the people, weighs heavily on the workers, both morally and materially.

While it may be true that measures of economic reconstruction are alone capable of remedying this crisis, direct measures to deal with the resulting unemployment appear to be none the less efficacious for ensuring sustained effort and efficiency on the part of the workers.

## ARTICLE 23.

In consequence, and in addition to any arrangements for insurance or assistance against unemployment, the following measures are recommended :

- (a) The systematic distribution of all the labour available by the national organisation of employment agencies and by means of agreements between the countries concerned for the international co-ordination of labour distribution (emigration and immigration).
- (b) In countries in which conditions permit, the placing in agriculture of as large a number as possible of such of the unemployed in industry as are capable of being employed in agricultural work.
- (c) The systematic allocation of public contracts with due reference to the occurrence of unemployment and to the trades and districts affected, so far as may be consistent with the general interest.
- (d) Development of public works in aid of unemployment, provided that they are useful and productive.

## ARTICLE 24.

In order to accelerate the effects of the measures set out in Article 23 :

1. It is recommended that all States which are members of the International Labour Organisation should ratify the Convention relating to unemployment adopted by the Washington Conference, and that all the States should take into consideration the measures against unemployment envisaged by that Conference.
2. It is suggested that the International Labour Office should collect and publish periodically all information available on the experience gained by the different countries in dealing with unemployment.
3. It is further recommended that all the States should co-operate in the enquiry relating to unemployment decided upon by the International Labour Conference of 1921.

## ADDITIONAL ARTICLE RELATING TO EXTRA-EUROPEAN COUNTRIES.

The recommendations presented by the Economic Commission will be transmitted by the inviting States and all the invited European States to their respective Governments; and, having regard to the fact that all the principles adopted by the Genoa Conference are an assurance, not only of the restoration of Europe, but also of the equitable treatment of commerce throughout the world, the Economic Commission, while recognising the conditions peculiar to overseas countries, would highly appreciate it if the Delegates of the invited extra-European States would be good enough to submit for the consideration of their Governments the principles adopted by the Conference, and expresses the hope that all other extra-European countries will accept them.

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 ANNEX.

## CONVENTION TO PREVENT DOUBLE TAXATION.

(between Italy and the other Austrian Succession States,  
April 7, 1922).

## ARTICLE 1.

Taxation on income derived from immovable property may be levied only by the State in which such immovable property is situated, even if it belongs to a national of another Contracting State.

## ARTICLE 2.

Taxes on income derived from the use of capital, and taxes on annuities, shall be levied by the State in which the recipient is domiciled, and, in the case of an encumbrance, by the State in which the immovable property is situated. For the purposes of

this Article, the principal place of business of the tax-payer shall be deemed to be his domicile.

In the case of interest on securities issued by the State, provinces, municipalities, or other corporations duly constituted in conformity with the internal legislation of the Contracting States, or on securities issued by Joint Stock Companies, Banks, and other credit institutions, the tax shall be levied by the State in which the body in question is situated.

The provision contained in the foregoing paragraph shall apply also to the taxation of interest on savings bank deposits or deposits on current accounts in banks and other credit institutions. If the institution has its headquarters in one of the Contracting States, and branches in one or more of the other Contracting States, the part of the interest payable by the branches shall be taxed by the States in which the latter are situated.

#### ARTICLE 3.

Taxes on earned income, including income derived from the exercise of a liberal profession, shall be levied by the State in whose territory the work from which the income derived is done.

In the case of salaries, allowances, pensions, wages, and other remuneration paid by the States, provinces, municipalities, and other public corporations duly constituted in conformity with the internal legislation of the Contracting States, the tax shall be levied by the State in which the body in question is situated.

#### ARTICLE 4.

Taxes on income derived from an industry or business of any kind shall be levied by the State in whose territory the industry or business in question has its headquarters, even when its operations extend to the territory of another Contracting State.

If the business has its headquarters in one of the Contracting States, and if it has in another Contracting State a branch, affiliated company, establishment, or permanent commercial agency, or representative, each of the Contracting States shall tax that part of the income which is produced in its own territory. For this purpose, the financial authorities of the States concerned may require the tax-payer to produce general balance sheets, special balance sheets, and any other document required by legislation.

#### ARTICLE 5.

Taxes on Directors' fees which exist or may be introduced in the Contracting States shall, in the absence of special agreements, be levied according to the internal legislation of each State.

#### ARTICLE 6.

Taxation on the whole of the income of the taxpayer shall be levied by each of the Contracting States according to the following regulations :

1. The same regulations as laid down for such income by the preceding Articles shall apply to income derived from :

- (a) immovable property,
- (b) mortgages and liens,
- (c) industry or commerce,
- (d) work.

2. In the case of any other kind of income, taxation shall be levied in the State in which the tax-payer has his residence.

For the purposes of the present provision, residence shall be deemed to be the place where the tax-payer has an habitual domicile, in circumstances which justify the supposition that he intends to retain it.

When the tax-payer has two or more residences, the income above mentioned shall, in the absence of special conventions to the contrary, be divided proportionately to the length of his residence in each of the Contracting States.

In the absence of any residence in the sense above defined, the dwelling-place alone may be made the basis of taxation.

#### ARTICLE 7.

A tax on capital, collected once only, may be levied by each of the Contracting States on the part of the property of the tax-payer which is in the territory of that State.

In the case of property consisting of :

- (a) immovable property,
- (b) mortgages and liens,
- (c) industry or commerce,

location in the territory of one of the Contracting States shall, for the purpose of the application of the tax on capital, be determined by the principles adopted in the foregoing Articles regarding the taxation of income derived from such property.

The treatment of capital (including registered and bearer securities) other than that covered by *b* of the foregoing paragraph, shall be governed by special agreements to be concluded between the Contracting States. In the absence of such agreements, each of the Contracting States shall apply its internal legislation.

#### ARTICLE 8.

If the tax-payer has property abroad situate in the territory of another Contracting State, and acquired after the date determining the application of the tax on capital in that State, such property shall, in the absence of proof to the contrary, be presumed to have been acquired with the proceeds of property liable to the tax on capital in the State to which the tax-payer belongs.

#### ARTICLE 9.

The regulations contained in Article 7 of the present Convention in regard to a tax on capital collected once only, shall

apply also to a tax on capital of a permanent character which exists or may subsequently be introduced in any of the Contracting States.

#### ARTICLE 10.

If it is proved that the action of the financial authorities of the different States has resulted in the levying of double taxation on the taxpayer, the latter may appeal to the State to which he belongs. If his appeal is allowed, the State in question may, in the interest of the tax-payer, demand through diplomatic channels that the financial authorities of the States which have levied the taxation in question shall agree on some equitable arrangement for avoiding double taxation.

#### ARTICLE 11.

The agreements established by the present Convention shall in no way prejudice the provisions concerning taxation contained in the Treaties of St. Germain and Trianon, nor any separate Conventions which have been or may be concluded between the High Contracting Parties.

#### ARTICLE 12.

The High Contracting Parties undertake to render each other mutual assistance for the purpose of facilitating the application and collection of direct taxation. A separate Convention shall be concluded fixing the regulations governing such assistance.

#### ARTICLE 13.

The present Convention shall come into force :

1. In the case of the tax on capital, on the day on which the law relating to such tax comes into force in each of the Contracting States.
2. In the case of the taxes referred to in Articles 1 to 6, as from the 1st January, 1923, as regards taxation for the year 1923 and subsequent years.

#### ARTICLE 14.

The present Convention shall be ratified as soon as possible.

Each State shall forward its ratification to the Italian Government, which shall notify all the other signatory States.

The ratifications shall be deposited in the archives of the Italian Government.

The present Convention shall be binding reciprocally on the Contracting States which have ratified it, and it shall not be necessary to await ratifications by all the other Contracting States.

Each of the High Contracting Parties may denounce the present Convention, in respect of one or more of the Contracting States, for the following calendar year, by giving notice eight months in advance.

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## PART IV.

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### Report of Fourth Commission (Transport).

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Genoa, 30th April, 1922.

GENTLEMEN,

The Transport Commission entrusted by the International Economic Conference with the task of examining the questions relating to the restoration of means of communication, concluded its task on April 26th, 1922. Its deliberations, carried on in a spirit of complete harmony and close co-operation, have led to the adoption, with practical unanimity, of the following Draft Resolution. In the preparation of this Draft Resolution, account has equally been taken of the views expressed by the Delegates of Powers not represented on the three Sub-Commissions set up by the Transport Commission, that is to say, the Organising Sub-Commission, the Railways Sub-Commission and the Waterways Sub-Commission.

#### DRAFT RESOLUTION.

*Preamble.*—Efficient transport is an essential requisite for the revival of European trade, and it is therefore desirable that the European States should continue to devote their unremitting efforts to the restoration of all means of transport at their disposal, and to the removal of every obstacle affecting international communications. It is essential also that the conditions of international transport should be determined solely by commercial and technical considerations.

#### ARTICLE 1.

All European States should maintain their efforts to restore or improve the organisation of their railways, their ports and their maritime and fluvial means of communication. If these railways, ports or means of communication are not in a satisfactory condition, and if the State concerned has not at its disposal the necessary resources to secure their restoration, steps should be taken without delay to procure for it the necessary assistance. To this end, it is desirable that States which are in need of assistance should organise surveys with the aid of competent experts.

## ARTICLE 2.

It is desirable that all the European States signatory of the Conventions concluded at Barcelona on the 20th April, 1921, regarding Freedom of Transit and the Régime of Navigable Waterways of International Concern (*See Summary of the Conventions, in Annex 1*), should ratify these Conventions at the earliest possible moment, if they have not already done so, and that the European States, which are neither signatories of these Conventions nor parties thereto should put their provisions into operation without delay.

## ARTICLE 3.

The European States represented at Genoa note with satisfaction the work accomplished at Barcelona in regard to the régime of international ports (*See Summary of the Recommendations in Annex 1*). They deem it desirable that the Conventions relating to Ports, Railways and Waterways contemplated by the Treaties of Peace should be prepared and put into operation as soon as possible, and they deem it equally desirable that the recommendations of the Conference of Barcelona regarding the international régime of railways should be put into operation without delay (*see Summary of the Recommendations in Annex 1*).

## ARTICLE 4.

Pending the conclusion of the new Convention relating to the transport by rail of passengers, luggage and goods, the European States whose railways were subject to the régime of the Berne Convention should undertake to put this Convention into force without delay, if it is not already in force.

## ARTICLE 5.

The Conference notes with satisfaction the assurance given by all the States signatory of the Agreements for the regulation of international railway traffic concluded at Porto-Rose on November 23rd, 1921 (*see Annex 2*), that they have put, or are putting, the said Agreements effectively into operation. The European States not signatory to these Agreements likewise accept their general principles, with a view to putting them into operation with the least possible delay, in so far as they are applicable to them.

## ARTICLE 6.

Without prejudice to the foregoing provisions, and in order that all possible steps may be taken without delay to restore international traffic to a condition at least as satisfactory as that existing before the war, the States represented at Genoa

recommend that the various French Railway Administrations should convoke at the earliest possible moment a conference of technical representatives of all the railway administrations of Europe and of the countries interested, so that :

- (1) these administrations may put into operation immediately all measures to this end which are within their competence, and
- (2) the representatives of the administrations may agree upon proposals to their respective Governments for such further action as may require governmental intervention.

At this meeting, which should especially endeavour to establish between the administrations concerned the closest possible collaboration, without sacrificing in any degree the autonomy of the several lines, and without trenching upon the functions of existing international associations, the technical representatives should examine, among other questions, the creation of a permanent conference of railway administrations for the assimilation and improvement of the equipment and operating methods of the railways, with a view to international traffic.

Among the principal items on the agenda of this conference shall be the question of through tariffs and the mitigation of the impediments to international transport occasioned by exchange fluctuations.

#### ARTICLE 7.

Seeing that the restoration of railways and waterways will take a certain time, the Commission recommends that services of motor transport should be established provisionally in cases where it may be practicable and desirable.

#### ARTICLE 8.

It is desirable that the competent Technical Organisations of the League of Nations, with the addition of one representative of any State which is not a member of the League, in cases in which such State may be interested, should be invited :

to examine from time to time the progress achieved in carrying into effect the provisions set forth in the preceding Articles, and

to this end to summon, with the consent of the States concerned, special conferences of experts.

Nevertheless, the powers of the Permanent Commissions on Ports and Navigable Waterways of International Concern, shall not be prejudiced.

\* \* \* \*

This draft Resolution was adopted by the Transport Commission, which took note of the following reservations and observations made by various delegations.

The LITHUANIAN DELEGATION formulated a reservation in respect of the preamble. In regard to that part of the Preamble

where it was stated that "it is essential also that the conditions of international transport should be determined solely by commercial and technical considerations," the Lithuanian Delegation declared that, while they fully recognised the general necessity of this principle, they found themselves unable to apply it as regards Poland, on account of the situation created by the events at Vilna.

The Transport Commission regarded this reservation as being founded on political considerations, and was therefore incompetent to examine it. The Commission also considered that it rested entirely with the Lithuanian Delegation to apprise the Political Commission, should occasion arise, of the reservation.

The NETHERLANDS DELEGATION formulated a reservation upon Article 2, considering that it rested with the competent constitutional authorities in each country to pronounce upon the advisability of putting the work of Barcelona into practice, and that the Delegation must abstain from pronouncing upon the intrinsic value of these Conventions, on the ground that the Genoa Conference could neither examine nor discuss them.

The SWISS DELEGATION declared that they did not make their adherence absolutely dependent on that of the Netherlands Government; but they thought it proper to state that the Federal Government had felt itself unable up to the present to accept the Convention of Barcelona on Navigable Waterways, because certain articles of this Convention did not give it complete satisfaction. The Federal Government, however, was continuing to examine this question with all the attention that it deserved, and with the aim of collaborating in the work of furthering the general interest in the matter of international transport.

The FRENCH DELEGATION had associated itself with the recommendation that the Convention of Barcelona relating to Navigable Waterways should be ratified by all the European States, but declared that the French Government might find itself unable to ratify this Convention if two other riparian States of the Rhine, the Netherlands and Switzerland, were not prepared to accept it.

The PORTUGUESE DELEGATION declared that the Barcelona Conventions had not yet been ratified by the Portuguese Government because it had not yet received the information called for from the Portuguese Colonies, which might allow it to proceed to ratification.

Its ratification would, however, in any case be subject to the reservations made by the Portuguese delegate at Barcelona itself.

Further, the PORTUGUESE DELEGATION made a reservation on the subject of the Agreements of Porto-Rose mentioned in Article 5, inasmuch as these Agreements had not yet been brought to the knowledge of the Portuguese Government. It was hoped, however, to withdraw this reservation when the opportunity arose to take cognisance of these Agreements.

The ROUMANIAN DELEGATION declared that its Government would ratify the Convention of Barcelona on Navigable Waterways, but with the reservation that no change should, as a result,

be admitted in the provisions of the Convention establishing the definitive Statute of the Danube. The same delegation observed with regard to the words "general principles" contained in Article 5, that the ratification by Roumania of the Agreements mentioned in that Article could only take place on condition that all the European States should apply and bring into operation the principles of these Agreements.

The RUSSIAN DELEGATION presented a provisional reservation on the subject of Articles 2 and 3, where mention was made of the Conventions of Barcelona, Conventions which the Russian Delegation had not yet had time to examine in detail. Further, the Russian Delegation made a reservation on Article 3, where mention was made of the Treaties of Peace, to which Russia is not a party, and which have not been brought officially to her notice.

Following on an observation made by the BRITISH DELEGATION it is understood that the Conference referred to in Article 6 does not prejudice the preparation of the Conventions which are to be concluded in virtue of Articles 366 and 379 of the Treaty of Versailles and the corresponding articles of the other Peace Treaties.

The GERMAN DELEGATION made a declaration to the effect that, in view of the fact that the Treaties of Peace are excluded entirely from discussion as a consequence of the decisions taken at Cannes, they could make no statement on the portion of Article 3 relating thereto.

With regard to Article 6, the GERMAN DELEGATION gave expression, in an amendment which they deposited and which is annexed to the official procès-verbal of the meetings, to their own views as to the programme of work of the Conference mentioned in Article 6.

Finally, the GERMAN DELEGATION asked that the following wording should be substituted for the text of Article 8 :

"Whenever it appears proper that the Governments concerned should examine the progress achieved in putting into operation the provisions contemplated in the preceding Articles, meetings shall take place at Geneva on a basis of complete equality, in order that it may be possible to have the benefit of the Technical Organisations of the League of Nations."

The HUNGARIAN DELEGATION presented a memorandum in considerable detail upon the railway situation in Hungary, which is annexed to the official procès-verbal of the meetings.

Some of the wishes expressed by the Hungarian Delegation have been met by incorporation in the text of the draft resolution itself.

As regard the other questions raised in this memorandum, their technical character calls for a detailed examination, which should be entrusted to the Conference provided for in Article 6.

The HUNGARIAN DELEGATION also declared that they accepted the text of Article 8 on condition that it be understood that

the representatives of the States concerned which were not members of the League of Nations, but which might be associated with the Technical Organisations of the League of Nations by the operation of Article 8, should stand upon a footing of complete equality with the representatives of States Members of the League of Nations. The Transport Commission confirmed this interpretation.

\* \* \* \* \*

The Transport Commission has the honour to propose to you that the text of the draft resolution above recited be approved.

For the President of the Transport Commission.

(Signed) H. JASPER.

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## ANNEX I.

SUMMARY OF THE CONVENTIONS AND RECOMMENDATIONS adopted by the First General Conference on Communications and Transit of the League of Nations, held at Barcelona, 10th March-20th April, 1921.\*

### 1.—*Convention and Statute on Freedom of Transit.*

The Convention begins by giving a definition of transit, as also of the various categories of transport to which it applies. Persons, baggage and goods and also vessels, coaches and goods stock, and other means of transport are deemed to be in transit across territory under the sovereignty or authority of a Contracting State, when the passage across this territory is only a portion of a complete journey, beginning and terminating beyond the frontier of that State.

Subject to certain exceptions and restrictions detailed further in the text, all the Contracting States undertake to facilitate freedom of transit as above defined in respect of traffic across their territory, whether by rail or waterway. The Convention does not apply to traffic other than that by rail or waterway.

In order that this freedom of transit may be assured, it is understood that no distinction may be made which is based on the nationality of persons, the flag of vessels, the place of origin, departure, entry, exit or destination, or on any circumstance relating to the ownership of goods or of vessels, coaches or goods stock, or other means of transport.

In order to ensure the application of the provisions with regard

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\* This summary, which necessarily leaves aside many of the details and precise stipulations, can only be considered as giving an approximate idea of the texts referred to. The document was prepared under the direction of M. Attolico, Under-Secretary-General of the League of Nations, and M. Haas, Secretary-General of the Barcelona Conference.

to the granting of freedom of transit without distinction, Contracting States will also allow transit across their territorial waterways, in accordance with the customary conditions and reservations.

Traffic in transit must not be subject to any special dues in respect of transit. The only dues which may be levied are those intended solely to defray expenses of supervision and administration entailed by such transit. The rate of any such dues must correspond as nearly as possible to the expenses which they are intended to cover, and these dues must be imposed under the conditions of equality laid down above, subject to a possible reduction or even abolition of dues on certain rails, on account of differences in the cost of supervision.

On routes operated or administered by the State or under concession, the Contracting States undertake to apply to traffic in transit, whatever may be its place of departure or destination, tariffs which are reasonable, having regard to the conditions of traffic and considerations of commercial competition between routes. No charges, facilities or restrictions shall depend, directly or indirectly, on the nationality of the vessel or other means of transport on which any part of the complete journey has been or is to be accomplished.

In this manner freedom of transit is assured, but certain extensions, restrictions and explanations are nevertheless entailed, and these are set forth as follows :

No Contracting State is bound to afford transit for passengers whose admission into its territories is forbidden, or for goods of a kind of which the importation is prohibited, on account either of public health or security, or as a precaution against diseases of animals or plants. Every Contracting State is likewise entitled to take reasonable precautions to ensure that such traffic, which is ostensibly transit traffic, is really transit traffic, and to prevent the safety of routes and means of communication being endangered ; as well as to protect itself against traffic in dangerous drugs, arms, etc., in accordance with Article 5 of the Statute.

Any measures of a general or particular character which a Contracting State may be obliged to take in case of an emergency affecting the safety of the State or the vital interests of the country may, in exceptional cases, and for as short a period as possible, involve a deviation from the above provisions.

It is understood that the Convention does not of itself impose on any of the Contracting States a further obligation to grant freedom of transit to a non-Contracting State, except when a valid reason is shown for such transit by one of the other Contracting States concerned. It is likewise understood that the Convention does not prescribe the rights and duties of belligerents and neutrals in time of war. It shall, however, continue in force in time of war, so far as such rights and duties permit.

The coming into force of the Convention shall not abrogate treaties, conventions and agreements on questions of transit con-

cluded before the 1st May, 1921. In consideration of such agreements being kept in force, the Contracting States undertake, either on the termination of the agreement or when circumstances permit, to introduce into any agreement so kept in force, which contravenes the provisions of the Convention, the modifications required to bring it into accord with such provisions, so far as geographical, economic and technical circumstances of the countries or areas concerned allow. Except when geographical, economic or technical circumstances justify exceptional deviations, the Contracting States further undertake not to conclude in future treaties, conventions or agreements which are inconsistent with the provisions of the Convention.

Any Contracting State which can establish a good case against the application of any provision of the Convention on some or all of its territory, on the ground of the grave economic situation arising out of the acts of devastation perpetrated on its soil during the war of 1914-18, shall be deemed to be relieved temporarily of the obligations arising from the application of such provisions.

Lastly, the Convention does not entail in any way the withdrawal of facilities which are greater than those provided for in the Convention, which have been accorded to transit traffic under conditions consistent with its principles, nor does it entail any prohibition of such grant of greater facilities in the future.

Disputes which may arise as to the interpretation or application of the Convention, and which are not settled directly between the parties themselves, shall be brought before the Permanent Court of International Justice, under a special agreement or a general arbitration provision. In order to settle such dispute, however, as far as possible in a friendly way, the Contracting States undertake, before resorting to any judicial proceedings, to submit such disputes for an opinion to the Advisory and Technical Organisation of the League of Nations in matters concerning communications and transit.

## *II.—Convention and Statute on the Régime of Navigable Waterways of International Concern.*

The following are declared to be navigable waterways of international concern :

(a) All parts which are naturally navigable to and from the sea of a waterway which in its course, naturally navigable to and from the sea, separates or traverses different States, and also any part of any other waterway naturally navigable to and from the sea, which connects with the sea a waterway naturally navigable which separates or traverses different States. Any natural waterway or part of a natural waterway is termed "naturally navigable" if now used for ordinary commercial navigation, or capable, by reason of its natural conditions, of being so used.

In applying the definition, tributaries are to be considered as separate waterways.

(b) Waterways or parts of waterways, whether natural or artificial, expressly declared to be placed under the régime of the Convention, either in unilateral Acts of the States under whose sovereignty or authority they are situated, or in agreements made with the consent, in particular, of such States.

On the navigable waterways thus specified, each of the Contracting States shall accord the free exercise of navigation to the vessels flying the flag of any one of the other Contracting States. In the exercise of such navigation, the nationals, property and flags of all the Contracting States shall be treated in all respects on a footing of perfect equality. No distinction shall be made between the nationals, the property and the flags of the different riparian States, including the riparian State exercising sovereignty or authority over the portion of the navigable waterway in question; similarly, no distinction shall be made between the nationals, the property and the flags of riparian and non-riparian States.

Nevertheless, every riparian State has the right of reserving for its own flag the transport of passengers and goods loaded at one port situated under its sovereignty or authority, and unloaded at another port also situated under its sovereignty or authority. A State which does not reserve the above-mentioned transport to its own flag may, nevertheless, refuse the benefit of equality of treatment with regard to such transport to a co-riparian which does reserve it.

Likewise, when a natural system of navigable waterways of international concern, which does not include waterways subject to the jurisdiction of an international Commission upon which non-riparian States are represented, separates or traverses two States only, the latter have the right to reserve to their flags by mutual agreement the transport of passengers and goods loaded at one port of this system and unloaded at another port of the same system, subject to certain reservations. On the navigable waterways of international concern situated under its sovereignty, each Contracting State maintains its existing rights in respect of general policing and application of laws and regulations relating to customs, public health, etc., in accordance with Article 6 of the Statute.

No dues of any kind may be levied anywhere on the course or at the mouth of a navigable waterway of international concern, other than dues in the nature of payment for services rendered, and intended solely to cover in an equitable manner the expenses of maintaining and improving the navigability of the waterway and its approaches, or to meet expenditure incurred in the interests of navigation.

Transit on navigable waterways of international concern is regulated in accordance with the Statute on Freedom of Transit. In addition, the following special facilities are provided for :

Subject to the other provisions of the Statute, the nationals, property and flags of all the Contracting States shall, in all ports situated on a navigable waterway of international concern, enjoy, in all that concerns the use of the port, treatment equal to that accorded to the nationals, property and flag of the riparian State under whose sovereignty or authority the port is situated. In the application of customs or other analogous duties, local *octroi* or consumption duties, etc., no difference shall be made by reason of the flag. In the absence of special circumstances justifying an exception on the ground of economic necessities, the customs duties must not be higher than those levied on the other customs frontiers of the State interested, on goods of the same kind, source and destination. Each riparian State is bound to refrain from all measures likely to prejudice the navigability of the waterway, or to reduce the facilities for navigation, and to take as rapidly as possible all necessary steps for removing any obstacles and dangers to navigation which may arise. If such navigation necessitates regular upkeep of the waterway, the Convention lays down the reciprocal duties and obligations of the riparian States with a view to assuring this upkeep. The Convention likewise stipulates the conditions under which improvements are to be carried out where necessary. In the case of navigable waterways of international concern which fall under the jurisdiction of an International Commission, special provisions are applicable in respect of works.

In the absence of any provisions to the contrary contained in a special agreement or treaty, the administration of navigable waterways of international concern is exercised by each of the riparian States under whose sovereignty or authority the navigable waterway is situated. Each of these States has the power and duty of publishing regulations for the navigation of the waterway, and of seeing to their execution. These regulations must be framed and applied in such a way as to facilitate the free exercise of navigation. Provision is also made for measures tending to make these regulations as far as possible uniform over the whole course of one or more navigable waterways. If, in virtue of special agreements or treaties, certain functions have been or shall hereafter be entrusted to an International Commission which includes representatives of States other than the riparian States, the minimum powers to be accorded in all cases to such Commissions are defined in the Statute.

The Convention does not prescribe the rights and duties of belligerents and neutrals in times of war. It shall, however, continue in force in time of war so far as such rights and duties permit. In the absence of any agreement to the contrary, the Convention has no reference to the navigation of vessels of war, or of vessels performing police or administrative functions, or in general exercising any kind of public authority.

In exceptional cases, when an emergency arises which affects the safety of a State or the vital interests of a country, a deviation

may be made from the provisions of the Convention, it being understood that the principle of the freedom of navigation, and especially communication between the riparian States and the sea, must be maintained to the utmost possible extent.

The provisions of the Convention on Freedom of Transit relating to the grant of greater facilities or exemptions on the ground of the grave economic situation arising out of acts of devastation perpetrated during the war of 1914-1918, and also to the settlement of disputes, are likewise stipulated in the Convention of the International Régime of Navigable Waterways.

### *III.—Recommendations relative to Ports placed under an International Régime.*

It is recommended that the following provisions should be applied to the ports or parts of ports, with or without free zones, which may be placed under an international régime, it being well understood that such a régime can only be applied in consequence of a special act involving the consent of the State under whose sovereignty or authority the said port is situated.

a. *General Provisions.*—The nationals, property and flags of all nations shall enjoy complete freedom in the use of the port, on a footing of absolute equality. No distinction shall be made between the nationals, property and flags of the different States and those of the States under whose sovereignty or authority the port is situated. There shall be no restrictions other than those arising from stipulations concerning customs, police, public health, emigration or immigration, or the import or export of prohibited goods, whilst these stipulations must not impede traffic without good reason.

All charges shall be levied under the conditions of equality prescribed above, and shall be reasonable having regard to various expenses incurred.

All charges other than those imposed for the use of the port or of the approaches thereto, or of the facilities afforded in it, are prohibited.

In the absence of any special organisation it shall be the duty of the State under whose sovereignty the port is situated to remove as quickly as possible any danger or obstacle to navigation and to facilitate the operation of vessels in the port. The State may undertake all work for the upkeep and improvement of the port or of its approaches, but shall be bound to suspend them if it is proved that they are calculated to prejudice the use of the port and of its approaches. It may also undertake works for territorial defence.

b. *Provisions applicable only to zones which are not free.*—Customs, local octroi, or consumption duties imposed on imports or exports through the port shall be levied without any differential treatment on account of the flag. In the absence of special circumstances justifying an exception on account of

economic needs, the Customs dues must not be higher than those imposed at the other Customs frontiers of the State concerned.

c. *Free zones*.—With the exception of the duties incurred for the use of the port, and as a return for expenses incurred, the only due which may be levied in free zones is a statistical duty not exceeding 1 *per mille ad valorem*. The facilities granted for the erection or use of warehouses, as also for the packing and unpacking of goods, shall be in accordance with trade requirements for the time being. Persons, baggage and goods, and also vessels, coaches and goods stock and other means of transport, proceeding from or to the free zone and crossing the territory of the State under whose sovereignty or authority the port is situated, shall be considered in transit across the said State, if proceeding from or to the territory of any other State.

d. *Miscellaneous provisions*.—These stipulations do not affect the régime to be applied to national maritime coasting trade. Those provisions of the Convention on Freedom of Transit which relate to a period of war, as also those concerning the settlement of disputes arising between States, also apply to ports placed under an international régime.

#### IV.—*Recommendations relative to the International Régime of Railways.*

It is recommended :

- (a) That the various States should adopt all possible measures which will facilitate the international transport of goods, with special reference to : through transport on the basis, as far as possible, of a single way-bill, subject throughout to the same obligations ; treatment of goods during the journey ; trans-shipment, when this operation cannot be avoided ; the form in which international tariffs are to be established, and the conditions of their application.
- (b) That the various States should adopt all possible measures which will facilitate the international transport of passengers and baggage under conditions of speed and comfort corresponding to the importance of each train service, special regard being paid to the question of the establishment of services with through-booking facilities, without change of carriage, and to that of through-booking of baggage.
- (c) That the various States should take all possible measures which will permit and facilitate the reciprocal utilisation and exchange of their rolling stock, as long as modifications in the essential characteristics of a railway system or of rolling stock are not involved.
- (d) That the transport facilities and tariffs shall not depend, under the same conditions, either on the nationality of the passengers, on the ownership or commercial origin of the goods, or on the flag or ownership of the vessels employed either before or after their transport

by rail, etc. The foregoing provision does not preclude the establishment of different tariffs according as operations in respect of internal, import, export or transit traffic are concerned. The question of combined rail and sea tariffs is not affected.

Provision is further made for exchange of information, as also for deviation from the terms of the Convention in cases of any emergency affecting the safety of the State or the vital interests of the country.

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## ANNEX 2.

A.—AGREEMENTS concluded at Porto-Rose, between the seven Succession States of the former Austro-Hungarian Empire, for the regulation of international railway traffic.

In order to facilitate the international transport of passengers, baggage, and goods, the High Contracting Parties, pending the coming into force of a general European Convention, and without prejudice to the stipulations of that Convention, agree to the following provisions :

### ARTICLE 1.

The Contracting Parties undertake to take all measures calculated to put an end to the special difficulties in the way of regular carriage of passengers and goods in Central Europe, and especially as regards international traffic on the railway systems of the Succession States.

In this connection, they undertake to open as soon as possible, and to maintain open to international traffic, without distinction as to the goods carried, all frontier stations which are of importance for such traffic and which are still closed.

### ARTICLE 2.

In order to accelerate the crossing of frontiers and to simplify the formalities thereby entailed, all frontier services should, as far as circumstances permit, be concentrated in a common station.

In this connection, the Contracting Party in whose territory the common station is situated shall permit the other Contracting Party to establish a railway agency at that station.

The Contracting Parties agree that the regulations for the working of frontier stations shall be established as soon as possible by special agreements concluded in a spirit of mutual conciliation.

### ARTICLE 3.

In cases in which traffic is stopped or limited by difficulties of operation, the administrations of the system affected by these

difficulties should come to an agreement as soon as possible with the railway administrations of the other State concerned, as to the conditions under which traffic coming from, or destined for the territory of one of the Contracting Parties may be maintained.

The railway administrations should make every endeavour to prevent any interruption of traffic, and should, if necessary, apply for assistance to the railway administrations of the other Contracting Party concerned.

In cases in which the traffic in any country is restricted, reciprocal traffic between the Contracting States, and transit traffic coming from the territory of one of the Contracting Parties, should not be subject to restrictions more severe than those applied to national traffic or to transit traffic destined for the same country.

#### ARTICLE 4.

The Contracting Parties shall endeavour to meet the requirements of direct international traffic passing over their railway system, by establishing good connections both for passenger and for goods traffic and by affording each other, in so far as is possible, mutual aid and assistance.

#### ARTICLE 5.

The Contracting Parties undertake, without prejudice to existing conventions, to co-operate in the re-establishment of direct international passenger services, and in the establishment of new services corresponding to present traffic requirements, provided with suitable rolling stock and schedules and, where possible, with through carriages.

#### ARTICLE 6.

The Contracting Parties shall see to it that their railway administrations shall, as soon as possible, conclude agreements with regard to the establishment of through long-distance goods trains, and to the acceleration of certain traffic in whole wagons or groups of wagons, more particularly with a view to facilitating carriage of foodstuffs, live-stock, fuel, mineral oil and its derivatives.

The Contracting Parties shall request the railway administrations to give each other notice of large consignments to be carried on complete trains, and to agree together as to the best means of carrying such traffic.

#### ARTICLE 7.

Goods traffic by rail between the Contracting Parties shall be carried under the régime laid down by the International

Convention of October 14th, 1890, on goods traffic by rail with the modifications provided for in the supplementary Agreement of July 16th, 1895, and the additional Conventions of June 16th, 1898, and September 19th, 1906, and the supplementary uniform conditions and uniform Conventions drawn up by the International Transportation Committee.

Nevertheless, in view of the difficulties which still hinder certain kinds of traffic, provision may be made for certain exemptions from this Convention in any agreements which are concluded between the railway administrations.

Exceptions to the Berne Convention should only be admitted in these Agreements, submitted for ratification by the various Governments, for such period and within such limits as are absolutely necessary.

The Contracting Parties agree to recognise that it is highly desirable in the interests of commerce that such exceptions should not affect the responsibility of railways for loss, damage or delay in delivery.

#### ARTICLE 8.

Through rates for passenger, baggage and goods traffic between the territories of the Contracting Parties, and for traffic between their territories and those of a third State, passing through the territory of one of the Contracting Parties, should be provided for as soon as circumstances permit.

In the meantime, the Contracting Parties shall take measures to ensure that, as far as the exchange allows, through rates are provided as soon as possible for passenger traffic and for the most important classes of goods traffic, at least on the routes most employed, and that, as far as possible, steps should be taken to allow through rates for all traffic.

#### ARTICLE 9.

If the payment of transportation charges and other liabilities resulting from the Carriage Contract, and expressed in a foreign currency, is made in the national currency, the rate of conversion will, in conformity with the present practice, be fixed by the receiving railway administration.

The rate of exchange adopted should not, however, serve as a means of competition in favour, or to the detriment of another line.

#### ARTICLE 10.

The Contracting Parties recognise that it is highly desirable that railway administrations should conclude an agreement

regarding the settlement of accounts, and based upon the following principles :

- (a) Mutual debts and liabilities resulting from the settlement of accounts of international traffic shall be converted, for clearance, into the currency of the country whose liabilities are the highest ;
- (b) Payments shall be made in this currency.
- (c) Conversion shall be made upon the basis of the average rate of the Zurich exchange during the period in which the debts and liabilities are contracted.
- (d) Measures shall be taken to provide against exchange fluctuations.

#### ARTICLE 11.

In order to meet the special requirements of international railway traffic, and more especially to avoid loss of time, Customs services at the frontier should be organised in such a manner as to allow the transit of goods across the frontier at any time in accordance with traffic requirements, avoiding unnecessary delay at the frontiers.

As regards passenger traffic, Customs formalities should therefore be regulated so as to allow the examination of registered baggage, destined for a station in the interior possessing a Customs Office, to take place at that station. The examination of other registered baggage and of hand luggage should, if circumstances permit, be carried out on the trains.

As regards goods traffic, Customs formalities should be regulated so as to avoid any unloading, verification or sealing at the frontier of goods assigned to another Customs Office, on condition that the regular collection of Customs duties is not compromised thereby.

Without prejudice to greater facilities which may later be accorded, the Contracting Parties consider that the adoption of the regulations laid down in the annex is highly desirable.

#### ARTICLE 12.

The present Agreements may be denounced by any one of the Contracting Parties by giving *six months'* notice.

No such denunciation shall, however, be accepted until a year after the coming into force of the present Agreements.

#### ARTICLE 13.

Any disputes between States regarding the interpretation or application of the present Agreements shall be settled in accordance with the procedure laid down for the settlement of disputes

regarding the interpretation or application of the provisions of the Peace Treaties concerning communications and transit.

The present Agreements shall be ratified as soon as possible.

Each State shall forward its ratification to the Italian Government, which shall notify the other signatory States.

The ratifications shall be deposited in the archives of the Italian Government.

The present Agreements shall come into force, for each signatory State, from the date of deposit of its ratification, and the said State shall from that moment be bound by these Agreements in respect of other States whose ratifications have already been deposited.

B.—REGULATIONS FOR THE CUSTOMS SERVICE ON RAILWAYS,  
DRAWN UP AT PORTO-ROSE.

1.—GOODS TRAFFIC.

*Paragraph 1.*

Goods trains shall be allowed to cross Customs boundaries at any time, including Sundays and holidays, by day or night, and Customs operations should be performed under the same conditions. The arrival of every goods train from abroad should be notified, in conformity with the Customs Regulations, to the frontier Customs Office to which the documents prescribed by the Customs Regulations should, at the same time, be presented.

*Paragraph 2.*

Railway administrations shall be required to notify Customs Offices located in stations and Customs Agencies (Railway Customs Offices) of the schedules of all trains crossing the frontier and trains connecting with these, as well as alterations in these schedules, at least eight days before they are put into operation.

The Railway Customs Offices shall also be informed, as soon as possible, of any considerable delays, of the cancelling of trains, and of the running of special trains, and light engines.

*Paragraph 3.*

1. Goods, the despatch of which has been regularly notified, and which are loaded in wagons duly sealed, and consigned, without trans-shipment, to a station in the interior of the country with a duly qualified Customs Office, need not be unloaded and examined at the frontier, and such packages need not be sealed.

2. Goods loaded in wagons duly sealed passing over the territory of one of the Contracting Parties, without breaking bulk, to the territory of another Contracting Party, if duly notified as in transit, need not be unloaded and examined by the Customs at the frontier or within the country, and such packages need not be sealed.

3. The putting into force of the provisions of paragraphs 1 and 2 shall be subject to the condition that the railway administrations concerned shall be responsible for the arrival of wagons at the competent Customs Office, whether at the frontier or within the country within the period laid down, and with seals intact.

4. As a general rule, goods not subject to Customs duties arriving at frontier Customs Offices in order to undergo Customs formalities, need not be unloaded and weighed, if the Customs formalities can be carried out without unloading. In determining the weight of goods the Customs Authorities shall in general accept as the weight of the truck the weight marked thereon.

5. The foregoing exemptions from Customs examination and sealing of packages shall be exceptionally applied even in the case of trans-shipment of goods (from one wagon to another) under Customs supervision, without involving the necessity of carrying out the regular Customs formalities, when the trans-shipment of goods is unavoidable by reason of any circumstance attributable to the railway.

6. The facilities provided in this paragraph shall not be given in cases where there is reasonable ground to suspect fraud.

#### *Paragraph 4.*

The Customs Administrations of all the Contracting Parties shall recognise as sufficient any affixing of Customs seals by the administration of any one of the Contracting Parties, which they shall have ascertained to comply with the conditions prevailing within their own Customs area for the affixing of seals to trucks which are to pass the Customs.

### 2.—PASSENGER AND LUGGAGE TRAFFIC.

#### *Paragraph 1.*

Passenger trains crossing frontiers shall enjoy the same facilities as regards days and times of crossing as those laid down for goods trains in Part 1.

#### *Paragraph 2.*

At the time of crossing the Customs boundary, passenger coaches shall contain only hand baggage.

#### *Paragraph 3.*

Hand baggage and passengers' registered baggage shall in general undergo Customs examination at the frontier Customs Office. Other facilities may, nevertheless, be granted to meet the needs of passenger traffic. In particular, efforts shall be made to take the necessary steps to have registered baggage examined at the Customs Office of the destination station. Customs Administrations shall also provide, as far as possible, for examination of passengers' baggage in the train, even on through trains or coaches.

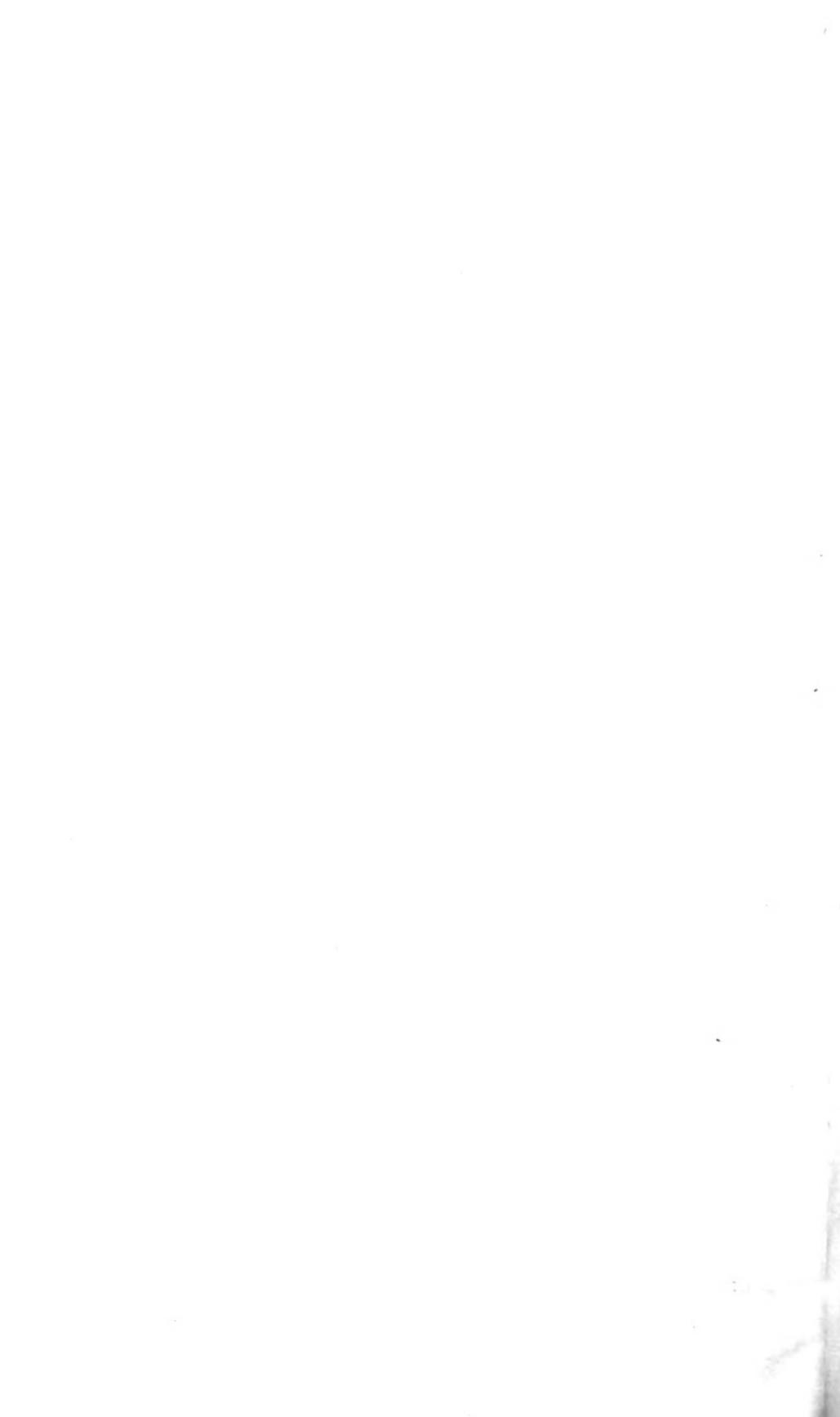
*Paragraph 4.*

Customs formalities in frontier stations should be carried through sufficiently rapidly for all baggage, especially baggage in transit, to continue the journey by the connecting train.

*Paragraph 5.*

Fast or ordinary goods traffic carried on passenger trains shall be subject to the same conditions and formalities as similar goods carried on goods trains.

Notwithstanding, fast goods traffic or highly perishable goods which are carried on passenger trains shall be forwarded by the same accelerated procedure as baggage.





PAPERS RELATING TO  
INTERNATIONAL ECONOMIC  
CONFERENCE, GENOA,  
APRIL—MAY, 1922.

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*Presented to Parliament by Command of His Majesty.*

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