

## The Near East and India (London)

N 983...

### "REPARATIONS" IN TURKEY.

The International Commission for the Assessment of Damage Suffered in Turkey, which was formed under the Convention signed in Paris on November 23, 1923, between Great Britain, France, Italy, and Japan to assess damage sustained in Turkey by nationals of the four signatories between August 1, 1914, and August 6, 1924, and to distribute as compensation certain moneys placed at the Commission's disposal for the purpose, came to the end of its official labours on March 15. The higher officials remain, after the departure of the Delegates, at the headquarters in Paris until the end of the month, in order to complete the few payments that have yet to be made.

By Article 58 of the Treaty of Lausanne Turkey and the other Contracting Powers reciprocally renounced all pecuniary claims for the loss and damage suffered respectively by Turkey and the said Powers and by their nationals between August 1, 1914, and the coming into force of the Treaty of Lausanne (August 6, 1924) as the result of acts of war, or measures of requisition, sequestration, disposal or confiscation. At the same time Turkey renounced in favour of the other Contracting Parties any right in the sums in gold transferred by Germany and Austria under Article 259 of the Treaty of Peace with Germany and Article 210 of the Treaty of Peace with Austria. Turkey also agreed not to claim from the British Government or its nationals the repayment of the sums paid for the warships ordered in England by the Ottoman Government which were requisitioned by the British Government in 1914, and renounced all claims in the matter. The Commission formed under the convention of November, 1923, comprised a British, a French, and an Italian Delegate. Roumania had been invited to sign the Convention provided that she did so before the Lausanne Treaty came into force, but did not accept the offer. At a later date she urged the claims of her nationals for compensation, and a sum of money was set aside by the Commission for the purpose—a development which inevitably prolonged the existence of the Commission and delayed the payment of compensation.

The actual sums placed at the disposal of the Commission were the amount in gold referred to in Article 58 of the Treaty of Lausanne—less than £5,000,000—and £846,100 Turkish Treasury Bonds 5 per cent. (1911), being the balance of unredeemed Turkish Treasury Bills (issued in connexion with the construction of the two Turkish battleships) which the British Government purchased from the holders in 1912. The value of the latter, it need hardly be said, could only be at any time nominal. In the end by judicious investment the amount actually exceeded £5,000,000 after the costs of the Commission had been defrayed.

More than 16,600 claims presented through the British, French, Italian and Japanese Delegations were examined, and over 8,800 were accepted. The awards actually made amounted in all to more than ten million Turkish gold pounds, and only 52½ per cent. of the amount allotted could be paid. A preliminary payment of 40 per cent. was begun in January, 1927, and the final payment of 12½ per cent. has now been completed.

The three Delegates were M. Gaston J. Curély (French), Sir Elliot Colvin, K.C.S.I. (British), and Commendatore Drego Trinepi (Italian). The General Secretary was M. Jean Gladoux (French), and the Financial Officer Mr. Cyril M. Bell (British). There were also three Chief Assessors—Colonel C. B. Stokes, M. A. de Lens, and Commendatore Attilio Brizi.

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*Allied War Losses Suffered in Turkey.*

It was not to be expected that British nationals who suffered losses in Turkey as a result of the participation of the Turks in the War would be satisfied with the payment that they have received from the International Commission for the Assessment of Damage Suffered in Turkey. In the first place there was a very careful scrutiny of all British claims before they were submitted to the Commission—a combing-out process, it may be supposed, that was carried out more rigorously by the British authorities than by those of the other countries concerned. Then the Commission examined each claim still more minutely, and placed its own assessment upon it. Finally, only fifty-two-and-a-half per cent. of the amount at which the claim was assessed was paid to the claimant, who will have had to wait, it may be, some fifteen years in all for the inadequate compensation received. British nationals find a special grievance in the fact that the amount fixed for Turkish compensation was restricted to the sum deposited by the Turks in Berlin and Vienna as security for their loans, and took no count of the value of the Turkish battleships seized by Great Britain at the outbreak of the War, for which Turkey had handed over the purchase money to the shipbuilding firms. It is argued that, as this sum of money, amounting to six million pounds, was legally due to Turkey, because the ships were taken over while she was still neutral, it ought to be used for compensating British nationals who suffered losses in Turkey as a result of the War. Successive British Governments have argued that the money in question is more equitably dealt with by being put to the credit of the British taxpayer, to defray part of the cost of the campaign against Turkey, than by being utilized for the sole benefit of a relatively small number of British nationals, who may not have been taxpayers in Great Britain before the War. The official attitude on this point will probably be supported by the electorate as a whole, however much sympathy may be felt with the British community in Turkey that suffered heavily by the outbreak of the War. The claimants, therefore, are well advised to shift the basis of their claim to clauses in the Treaty of Versailles which are interpreted to make Germany "or her allies," and to press for the payment of the balance of the compensation due to them on their assessed claims out of the proceeds of German property sequestrated in Great Britain. The whole question is, no doubt, hedged about by legal subtleties, but there would seem to be no reason why the claim should not be carefully and sympathetically examined. It should not be merely dismissed on the ground that the matter is closed now; that the International Commission that has been sitting in Paris for five years has come to an end.



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WAR DAMAGE IN TURKEY.

Report of International Commission.

The Report has now been published of the International Commission for the Assessment of Damage suffered in Turkey, which was established in Paris to assess and to make compensation for the damage suffered in Turkey by the subjects of the Allies. The work of the Commission, which held its last session on March 15 last, was regulated by two things. The first was Article 58 of the Lausanne Treaty, by which Turkey and the other contracting Powers, with the exception of Greece, reciprocally renounced all claims for pecuniary compensation for loss or damage suffered between August 1, 1914, and the coming into force of the Treaty arising out of the War. On the other hand, Turkey renounced in favour of the other contracting parties, with the exception of Greece, all right in the sums in gold transferred by Germany and Austria by virtue of Article 259.1 of the Peace Treaty with Germany of June 28, 1919, and of Article 210.2 of the Peace Treaty with Austria of September 10, 1919. The second was the Convention signed at Paris on November 23, 1923, instituting the Commission. This Convention fixed the sums allocated to damages, the composition of the Commission, its competence, etc. The delegates of the Powers on the Commission were: for Great Britain, Mr. H. E. Garle, for France, M. Clement-Simon, for Italy M. Tripepi, for Japan the Counsellor of the Embassy at Paris. Mr. Garle and M. Clement-Simon left the Commission during the work. Mr. Garle was replaced by Sir Elliot Colvin, K.C.S.I., as from January 15, 1926, and M. Clement-Simon by M. Jesse-Curely as from January 1, 1927. When Roumania was admitted to participate in the benefits of the Convention she nominated as representative M. Zeuceanu Delegate on the Reparations Commission in August, 1928.

The Commission had a double task. It had to arrange for the administration of its resources by assuring that the funds at its disposal had the greatest security and the greatest productivity possible. It will be seen from the financial part of the report how it carried out this mission for the good of the claimants, by operations which enabled it not only to charge nothing from the initial capital for expenses, but to increase it by interest by

about a ninth. It had also to assure with the smallest possible delay the drawing up of the claims, their study, and a decision on them. The number of the decisions necessitated the employment of a numerous personnel under the control of the delegates. Once approved by a delegate, a claim after study by the other delegates would come before a plenary session for discussion and a final estimate of the amount of the allowance. It was speedily found that the number of claims which could be dealt with entirely in Paris were the exception. Most of them lacked the necessary evidence or required verification and inquiry, and it was necessary that their examination should be carried out on the spot by representatives of the Commission. For this purpose sub-commissions were constituted in the three principal centres for claims—at Istanbul for Turkey in Europe, at Smyrna for Asiatic Turkey, and at Beyrout for Syria and Palestine. A second sub-commission was subsequently added at Smyrna. Contact with the claimants, special knowledge of the conditions of the country, and the personal conduct of inquiries enabled these bodies to determine their estimates in the most equitable manner. When it is borne in mind that the two sub-commissions of Smyrna dealt with 3,037 claims, that of Syria-Palestine with 1,128, and that of Istanbul with 955 it will be realised that the establishment of these bodies greatly decreased the duration of the work of the Commission.

Article 58 of the Lausanne Treaty and the Convention of November 23, 1923, already constituted a policy for the Commission. As regards indemnification for direct and indirect damage, and of concessionaire companies, the text of the two acts were very precise. But it was evident that on numerous points it would be necessary to interpret or to complete the official text. The Commission therefore secured the assistance of a Committee of Jurists. The decisions of this committee were particularly useful in all cases which raised questions of international right or privilege, questions of nationality, in particular Cypriots and inhabitants of Rhodes and the Islands, or of certain companies, and on the interpretation of certain texts.

For an estimate of damages the Commission decided to get into touch with those who had suffered loss, and the delegates went in March-April, 1924, to Istanbul, Smyrna, and Beyrout. This visit enabled them to take account in a general manner of the nature of the damage suffered and to determine the proper methods for estimating them as exactly as possible. This was not, however, the first time that the position with regard to Eastern claims had attracted the attention of Governments. Great Britain had already set up a Royal Commission, called the Sumner Commission, which had functioned in Turkey, and had drawn up in a very precise manner a number of English claims. That example had been followed at Smyrna by the Italian Government which had constituted there a commission of inquiry for its colony. Finally, in Syria the French authorities and in Palestine the British had proceeded to a preliminary investigation of the claims for indemnity. The Commission gave great weight to the conclusions of these various bodies; it had at the same time to bring them into harmony with the terms of the Convention and in very numerous cases to complete them on a uniform basis. That is why, on its return to Paris, it decided to send to the East the sub-commissions.

Financial Operations of the Commission.

The financial operations of the Commission may be divided under three heads, viz., (1) The sale of gold and Turkish Treasury Bills, constituting the funds which were placed at the disposal of the Commission in the terms of Article 1 of the Convention of November 23, 1923. (2) The investment of the proceeds of such sales, and of the surplus of revenue over expenditure. (3) The distribution of its assets to the delegations in proportion to the total assessments of the claims of their respective nationals.

The Commission having decided to assess claims in the

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value of the Turkish gold pound, this was made the basic currency of the Commission, the fixed rate of £T1 (gold) equals 4.396 dollars being accepted for conversions to United States dollars, and banking accounts were opened with Messrs. J. P. Morgan and Co., New York, with whom the principal financial operations of the Commission were conducted. A current account in French francs for local administrative expenses was opened with Messrs. Morgan and Co. (Paris), and a sterling deposit account was opened with the National Provincial Bank, London.

The gold referred to in Article 58 of the Treaty of Lausanne comprised 57,919,687.34 gold German marks deposited with the Bank of France in Paris, and 43,317,650 gold Austrian kronen deposited with the Bank of England in London. Tenders were obtained for the sale of this gold, the highest tenders being accepted. The German marks were sold to the Comptoir Lyon-Alemand in Paris at the rate of \$4.72675 per 20 mark piece, and realised the sum of 13,688,564.10 dollars. This sale was completed on November 29, 1924. The Austrian kronen were sold through the agency of Messrs Samuel Montagu and Co., of London. Whereas this firm's tender for the purchase of the gold in London was the highest, it was eventually decided on their recommendation that it should be sold by them in the best market available subject to their commission of 1-16 per cent.; 28,839,540 kronen were sold on the London market between February 6 and March 2 1925, while the balance of 14,478,110 kronen was shipped to New York and sold there. The sum realised by the sale of the Austrian kronen was 8,753,036.55 dollars, the final payment being received by the Commission on March 30, 1925. Thus the total sum realised by the sale of the gold was 22,441,600.65 dollars.

Turkish Treasury Bills 5 per cent. (1911) to the nominal value of £846,100 with unpaid coupons attached amounting to £47,626 5s. or a total of £893,726 5s. were placed at the Commission's disposal in the terms of the Convention. In February 1927 the Commission received the sum of £13,298 9s. 10d., representing the contributory

share due on the bonds from Italy and a part payment by the Government of Palestine. Owing to the temporary suspension of all payments on the Ottoman Public Debt, it was not until February, 1928, that the Commission considered it advisable to take any steps towards the disposal of this parcel of bonds. A circular inviting tenders was then published and sent to leading financial houses on the Continent, in London, and New York. Owing to the delay in arriving at the agreement on the subject of the Ottoman Public Debt, and in its ratification by the Turkish Government, the responses to the application for tenders were very meagre. The best offers received were finally accepted, and in the circumstances they may be considered satisfactory. Bonds and coupons to the original nominal value of £46,263, 15s. were sold to Messrs. N. M. Rothschild and Son, of London, for £10,700, and the balance of the bonds and coupons totalling £347,462 10s. were purchased by the Oriental Industrial Monopolies Ltd., of Paris and London for the sum of £109,047 0s. 6d., with a proviso in the agreement of sale (in anticipation of the eventual exchange of the Bills for Bonds of the new issue provided for by the Ottoman Debt Agreement, and of their official quotation on the Paris Bourse) that the company should make a supplementary payment to the Commission based on the official average daily price of the Bonds during the first month after the date of their first official quotation on the Paris Bourse. It was not until January 2, 1930, that the new issue of Bonds received an official quotation on the Paris Bourse, and on March 26, 1930, the supplementary payment amounting to Frs. 422,496.57 or £3,399 16s. 6d. was received. Thus the total sum realised on the Turkish Treasury Bills was as follows:—

	£	s.	d.
Payments by Italy and Palestine ... ..	13,298	9	10
Sale to Messrs. N. M. Rothschild and Son ...	10,700	0	0
Sale to Oriental Industrial Monopolies, Ltd. 109,047	0	6	
Ditto—Supplementary payment ... ..	3,399	16	6
Total ... ..	136,445	6	10



At the time of the commencement of the Commission's operations in 1924-25, the currency of none of the countries represented on the Commission had been stabilised. Consequently, it was decided that its marketable investments should be made in government securities of the United States where the gold standard existed, and the first products of the sale of the Commission's gold were invested in November 1924 in United States Certificates of Indebtedness which at that time gave a yield of interest just under  $3\frac{1}{4}$  per cent. per annum. Re-investments in these certificates of varying maturity dates, and of rates of interest ranging between  $3\frac{1}{4}$  and  $4\frac{3}{4}$  per cent. per annum were made subsequently from time to time. Of the proceeds of the sale of the gold, however, a large portion, or 10,000,000 dollars was lent as from March 10, 1925 to the French and Italian Governments (5,000,000 dollars to each Government) for a period of eighteen months, subsequently extended to March 10, 1927. These loans bore interest at the rate of  $5\frac{1}{2}$  per cent. per annum, payable quarterly, which it will be noted was a rate considerably higher than that obtainable at the time on marketable gold-edged securities.

Great Britain having towards the end of April, 1925, re-adopted the gold standard, and the yield on British Treasury Bills being at that time more than one per cent. higher than that on United States Certificates of Indebtedness, it was decided in June of that year to open a deposit account with the National Provincial Bank in London to which accumulations of interest were credited from time to time, and the available balance on the account utilised from week to week in the purchase by tender of three-months British Treasury Bills. The rate of interest obtained on these Bills ranged from 3.36 to 6.16 per cent. per annum. Moreover, in March, 1927, on the repayment of the loans granted to the French and Italian Governments, and when certain Certificates of Indebtedness were maturing in New York, the sum of \$6,000,000 was transferred from New York to London, and invested in British Treasury Bills, the rate of exchange and the yield on British Bills being at that time favourable for this transaction.

It must be noted that the Commission having at the outset decided that its investments should be confined to Government securities of such a nature as were not liable to market fluctuations, its scope in this respect was naturally limited, but every advantage was taken within these limits to place its money at the highest yield of interest obtainable, and without undue risk of loss on the various rates of exchange employed in the course of its financial operations. It is satisfactory to be able to record that in the course of the Commission's dealings in the different currencies, a profit was made under the heading of rates of exchange of 28,530.60 dollars. The total revenue from investments, including interest on current and deposit accounts which the Commission earned amounted to the sum of 3,483,874.25 dollars.

The amounts allocated by the Commission for the claims of each nationality were as follows:

	£ T (gold).	Dollars.
French ... ..	3,727,325.00	16,385,320.70
British ... ..	3,521,861.80	15,482,104.47
Italian ... ..	2,103,223.20	13,641,769.19
Roumania ... ..	84,214.00	370,204.74
Japanese ... ..	9,561.00	42,030.16
Total ... ..	10,446,185.00	45,921,429.26

On December 2, 1929, when 5,000 claims had been admitted and estimated, the Commission decided to proceed to the payment of a dividend of 40 per cent., and a first distribution of funds was made to the delegations for this purpose. As regards Turkish companies with Allied capital it was decided to restrict the dividend to 20 per cent. until the total amount of the payments to be made on the said claims had been determined. On July 7, 1929, the Commission decided to pay a second dividend of  $12\frac{1}{2}$  per cent. which gave a total of  $52\frac{1}{2}$  per cent. on all the claims estimated, including those of Turkish companies with Allied capital. Before fixing the amount of the

second dividend it was necessary to estimate the amount at the disposal of the Commission, without taking account of the sum of £T350,000 (gold), which had been reserved by the terms of the Protocol signed by the Allied Governments for the payment of  $52\frac{1}{2}$  per cent. of the Roumanian claims, which had not been investigated by the Commission. These claims were later estimated at a total sum of £T84,214 (gold), and the payment of a dividend of  $52\frac{1}{2}$  per cent. amounted to £T44,212.35 (gold), leaving a balance of £T305,787.65 (gold) or 1,344,242.51 dollars. There had to be added to this total the sum of £T41,019.69 (gold) or 180,322.58 dollars, the final balance of the funds of the Commission, a disposable total of a final distribution of £T346,807.34 (gold) or 1,524,565.09 dollars. The final payments were distributed on April 2, 1930. Four of the five delegations utilised the final payment for a supplementary percentage of  $2\frac{1}{2}$ , bringing the percentage up to 55, while the small balance which was left over was allocated to claims which appeared to deserve an additional payment. The Italian delegation applied a different method, and decided to divide the balance among a certain number of claims revised by it and submitted to the Commission.

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War Losses in Turkey.

A detailed summary is given elsewhere in this issue of the report of the work of the International Commission for the Assessment of Damage Suffered in Turkey. Established by a Convention signed at Paris on November 23, 1923, the Commission made its last payments to the claimants on April 2, 1930. As the columns of the Press have testified, a not unnatural impatience was displayed by those who have suffered severely as a result of the War at the time that it was necessary to take to deal with claims. They did not appreciate the difficult and arduous character of the work involved. As will be seen from the report it was necessary to make investigations locally into many claims, and sub-commissions had to be set up at Istanbul, Smyrna, and Beyrout. The whole undertaking was carried through by the Commission in a most admirable way and it is particularly worthy of note that nothing had to be deducted from the initial capital assets on account of administration expenses, and it was found possible to increase the amount by a considerable percentage by way of interest.