

agreement, redemption money may be paid to the Reparation Commission, who will call up bonds for redemption in Spa agreement percentages.

6. Eighty per cent of the bonds of the first series to be distributed forthwith to the powers entitled to reparation in the Spa agreement percentages, the remaining 20 per cent to be retained by the Reparation Commission as a reserve for adjustment of accounts between powers and for the payment of miscellaneous treaty charges as provided below.

7. Belgium to discharge her existing debit in respect to her priority adjusted in accordance with paragraph 4 by surrender to the Reparation Commission reserve of bonds of the first series to a face value equal to the amount of the debit plus 26½ per cent.<sup>6</sup> Belgium to waive her claims to priority of payment over other powers in so far as they have not already been met.

8. The United States (subject to the consent of that power), Great Britain, and France to receive out of bonds of the first series retained as a reserve by the Reparation Commission amounts to a face value equal to their respective credits arising out of the last paragraph of article 232 of the treaty (Belgium war debt).

9. All other outstanding debits and credits as between powers entitled to reparation and the Reparation Commission to be cleared as on January 1, 1923, by transfer of bonds of the first series at redemption price. Debits to be adjusted by transfer from the debtor power to the Reparation Commission reserve and credits by transfer from the reserve to the creditor power.

10. As from January 1, 1923, costs of armies of occupation and clearing office and other miscellaneous charges up to such amount per annum as the Reparation Commission may approve, except in so far as they can be met from cash accruing to the Reparation Commission reserve in respect of interest on bonds in that reserve, to be discharged by transfer of bonds at redemption price from the Reparation Commission reserve to the powers entitled to the payments. Any bonds remaining in the reserve when its liabilities have been liquidated to be distributed to the various powers entitled to reparation in the Spa agreement percentages.

11. Germany to agree (1) to stabilize the mark in accordance with the recommendations contained in the majority report of the foreign experts consulted by the German Government in November last, and to restore budget equilibrium with limits of time to be prescribed (say, six months for the stabilization and two years for the budget reform); (2) to accept such financial supervision as may be deemed by the Allied Powers to be necessary to see to the punctual carrying out of these reforms (see schedule "B"); (3) to submit, in the event of her failing to satisfy the supervising authority that condition (1) is being observed, or failing to discharge her obligations as now revised, to any measure which the Allied Powers, upon a report of such failure from the supervising authority, may unanimously decide to be necessary. Such measures may include the forcible seizure of German revenues and assets and the taking over of German fiscal machinery and the military occupation of German territories outside the treaty occupation area.

12. All loans raised by Germany in the national market of any power which is a holder of any of the bonds to be applied to the redemption of bonds held by that power, unless and except to such extent as the government of that power may otherwise agree.

In order to facilitate the provision of funds for the restoration of the devastated regions of France, Great Britain to agree that 50 per cent of any German loans raised on the British market before January 1, 1927, which would otherwise be applied to the redemption of bonds held by Great Britain, shall be applied to the redemption of bonds held by France.

#### EUROPEAN INTERALLIED DEBTS<sup>7</sup>

13. The deposits of gold which are held by Great Britain as security for loans made to France and Italy for the purpose of carrying on the war, to be applied forthwith toward the repayment of these loans.

The French share of the German bonds applicable to the repayment of Belgian war debt to be transferred to Great Britain and accepted by her as satisfaction of an equal amount of the French debt to Great Britain.

<sup>6</sup> The present value of the bonds on the 5 per cent table being 79 per cent.

<sup>7</sup> These proposals for dealing with inter-Allied debts are put forward upon the understanding that the above reparation plan is accepted and all proposals for the taking of pledges ("gages") and application of sanctions (otherwise than as provided for in the above plan) are abandoned.