property of persons other than enemies, and not directed against enemy property as such, and that accordingly the only remedy was that provided by the reparation clauses of the Treaty. The Tribunal held that the German Government was responsible for the taking of the jute, and that there was no indication that at the time of seizure jute was being taken from everybody who possessed it by virtue of any collective order. The question, therefore, whether such other cases might have been contemplated by the provisions of the Treaty did not arise. They considered that the present case came within the provisions of Article 297 (*e*) of the Treaty of Versailles, and that they had jurisdiction to deal with it.

Upon the case coming on for further hearing an order was made to the effect that the claimants, who accepted the value of the goods as assessed by the Reichswirtschaftsgericht as reasonable, were entitled to a credit through the Clearing Office in sterling at the pre-war rate to the amount of the assessment.

A somewhat similar decision was given in the case of Sternberg against the German Government, in which the British claimant sought to recover a sum of £300 in respect of certain bales of cotton goods seized by the Prussian War Office at the port of Hamburg. The Germans again set up the argument that the expropriation took place under a statute of general application, and not directed solely against enemy nationals. At the hearing, however, the latter contention was not insisted on, and the Tribunal held that the fact that the measure in question was not directed against enemy property as such did not deprive it of the character of an exceptional war measure within the meaning of the Treaty. A further contention that the taking-over of the production and distribution of woven material into a common administration was not an exceptional war measure fell to the ground in view of an order of the German Government which made it clear that the particular seizure was not made as part of the administration in common of goods of its class, but was similar to the requisition already dealt with by the Tribunal in McLeod, Russell, and Co. *v.* German Government. The Tribunal were accordingly of opinion that the claimant had a good claim under Article 297 of the Treaty.

(5.) *Treaty varies Municipal Law.*

In the case of Hardt *v.* Stern a German creditor claimed a debt owed by a firm of two British and two American partners. The Tribunal held that every claim and every debt of a mixed partnership is to participate in the clearing procedure after the share of the neutral has been earmarked and excluded, and the municipal law of either country which involves a different method of enforcing rights must be disregarded, because to have regard merely to the facts of any particular case and to decide it by nothing more than the "mechanical" application of municipal law of one country would defeat the real object of the Treaty and exclude cases which the Treaty was intended to cover. The municipal laws of the countries must be relegated to a position in which they will not render impossible a settlement according to the intention of the Treaty.

The proportion which each partner would have received of the assets of the firm in the event of the winding-up on the 4th August, 1914, is the proper measure for the proportional division, which should be ascertained as if the share due to each partner out of the proceeds of liquidation had been calculated by means of a balance-sheet drawn up on that date. In doing this a fair estimate should be made, and not a precise calculation.

The Tribunal will, for purposes of procedure, not require that claims shall be against individual partners by name, but will allow claims to be brought against the firm in the firm's name, and the liability of any partner who is not a national of the State concerned can be contested by him or the debtor Clearing Office. The non-British partner's share of the debt to a German creditor is subject to the charge.

The above decision was confirmed in a claim against a German mixed partnership (Fisher *v.* Biehn).

System of Accounting between the Central Clearing Office and the German Clearing Office.

51. The system of accounting between the German Clearing Office and the Central Clearing Office, London, is clearly set forth in the following paragraphs taken from the second annual report of the Controller of the Central Clearing Office, dated 26th September, 1922, pp. 4–6 :—

Monthly Accounts.—As explained in my previous report, the settlement of the class of pecuniary obligations referred to in Article 296 and described as "enemy debts" is effected through separate monthly accounts rendered by each of the Allied Clearing Offices to Germany. In these accounts are assembled the admissions on both sides, and the balance, if in favour of an Allied Clearing Office, is, by the terms of the Treaty, payable in cash within seven days of the presentment of the account.

In November, 1920, the German Government gave notice that it would be unable, for a time at least, to meet its obligations to the Allied Clearing Offices, and in the following month it made default in payment of the amount then due. The matter was referred by the Brussels Conference to the Directors of the Allied Clearing Offices, and discussions then ensued between them and representatives of the German Government. It was urged by the latter that the necessity of providing variable amounts from month to month in Allied currency without the possibility of estimating in advance the sums required had proved very embarrassing to the German Treasury, and with a view to meeting this apparent difficulty the London agreement of the 10th June, 1921, was entered into between the Allied Controllers and the German Government, which varied the method of payment by substituting fixed monthly instalments of £2,000,000, divisible *pro rata* amongst the Allied Offices, for the uncertain amounts which a strict adherence to the Treaty provisions would have entailed. It was estimated that these fixed instalments would be inferior to the amounts which would have become payable under the provisions of the Treaty, but should it prove otherwise the German Government was given the right to denounce the agreement at any time and to revert to the method of payment required by the Treaty.

Owing to the grave delay on the part of the German Clearing Office in crediting claims, many of which had long since been admitted by the debtors themselves, it resulted that on many of the accounting periods all the Allied Clearing Offices were in debit, and in consequence the German Clearing Office declined to pay the instalments of £2,000,000 on these occasions. To compel admission of their just claims it became necessary therefore for creditors to take proceedings before the Mixed Arbitral Tribunal, which necessarily resulted in further delay and expense. In August last the German Government notified the Allied Powers interested that it would be unable to meet its engagements to the Clearing Offices under the above agreement unless the instalments payable thereunder were reduced to £500,000 a month, and default was subsequently made in payment of the instalment then about to become due. The agreement was thereupon denounced by the Powers interested, who have referred the matter to the Allied Controllers to come to a new arrangement with the German Government as to the settlement of these balances in the future, with instructions that such arrangement must receive the approval of the Reparation Commission. In consequence of these instructions, I, in company with my French and Belgian colleagues, attended a sitting of the Reparation Commission in Paris on the 15th September, at which, after a full explanation of the position of the Clearing Offices, certain proposals were submitted for the consideration of the Commission. A meeting of the Council of Allied Controllers has also been summoned, and a request has been addressed to the German Government to appoint delegates with whom the Allied Controllers can confer with a view to negotiating a new agreement for the settlement of the outstanding balances between the Allied and German Clearing Offices.

Whilst upon the subject of the monthly balances I desire to point out that the difficulty in which the German Clearing Office finds itself in providing the sums owing to Allied creditors arises solely from the fact that the German Clearing Office law of the 24th April, 1920, did not apply the provisions of the Treaty, but sought to relieve German debtor nationals of their obligation thereunder at the expense of the German Budget.