

Under Article 296 of the Treaty debts are payable in Allied currency at the pre-war rate of exchange, and under paragraph 14 of the annex to Section III the Allied and ex-enemy Governments who adopted that section undertook to invest their respective Clearing Offices with all the necessary powers to enforce these provisions. Whilst, however, the observance of this Treaty requirement was imposed upon their debtor nationals by all the Allied and the other ex-enemy Governments, Germany, by her Clearing Office law, relieved her debtor nationals of this obligation and transferred the resultant burden to her Budget. Even this was not the limit of the benefits accorded to German debtors by the German Clearing Office law, for in the case of those debtors who had contracted debts in Allied currency, they were relieved of their liability under their contracts on payment to the German Clearing Office of the amount of their debts in marks at the pre-war rate of exchange. Had the German Clearing Office law given effect to the Treaty provision there would have been no resultant loss to the German Government, for the position of a Clearing Office is merely that of an agent for the collection and payment of the debts owing by and to its nationals. It is true that, under the terms of the Treaty, all the Governments, both Allied and ex-enemy, guarantee the payment of the debts owing by their nationals, but any loss arising under this guarantee may, under paragraph 9 of the annex to Section III of the Treaty, be covered by a deduction from the amounts credited to them by the Opposing Clearing Offices on account of their creditor nationals. Germany has, in fact, availed herself of this permissive provision and has made large deductions from the sums credited by the Allied Offices to the German Clearing Office, which have far exceeded any loss that she might have sustained under the above guarantee had she given effect to the other provisions of the section by her internal legislation. It is to this cause—namely, the relief voluntarily accorded by Germany to her debtor nationals at the expense of her Budget—that the default on the part of the German Clearing Office in meeting its obligations is attributable.

DEFAULT BY GERMANY.

52. Information has been received that since September, 1922, Germany has been in default in paying the balances under Article 296 owing by her to the British Empire. A copy of the British Empire Accounts prepared by the Central Clearing Office, London, from the 10th January, 1920, to the 31st March, 1923, is attached to this report, showing, *inter alia*,—

- (1.) That the cash payments made by the German Clearing Office to the Central Clearing Office in accordance with paragraph 11 of the annex to Article 296 of the Treaty of Versailles amounted to £23,634,845 2s. 9d.
- (2.) That the balance due by Germany to the Central Clearing Office as at the 31st March, 1923, was £1,899,813.

SYSTEM OF ACCOUNTING BETWEEN CENTRAL CLEARING OFFICE AND NEW ZEALAND CLEARING OFFICE.

53. The Central Clearing Office keeps a New Zealand Account, which is credited with all claims admitted by the German Clearing Office in respect of debts due to British nationals in New Zealand, and which is debited with debts admitted by the New Zealand Clearing Office as due to German nationals. Until September, 1922, the balance of this account was settled monthly. If there was a balance in favour of the Central Clearing Office the High Commissioner paid the amount to that office out of the New Zealand Clearing Office funds held by him; if, however, the balance was in favour of the New Zealand Clearing Office the Central Clearing Office paid the amount to the High Commissioner.

54. In December last the Central Clearing Office advised that when Germany fails in her payments under paragraph 11 of the annex to Article 296, as she has done since September, 1922, the monthly balance due by the Central Clearing Office to New Zealand will remain unpaid until Germany commences again to make payment on account of her monthly balances under the above-mentioned paragraph. As soon as Germany recommences payments the money received will be applied *pro rata* between the Central Clearing Office, the New Zealand Clearing Office, and the other Dominions and Allies under the reciprocal agreements in proportion to their balances for October month until the whole of these balances have been extinguished.

New Zealand is in credit in respect of October and November, but will not be paid these balances until Germany resumes payment of her monthly balances. If New Zealand should subsequently be in debit she will not be asked to pay this debit until Germany's payments for that month's balances commence. Interest will be charged or credited to New Zealand upon these monthly balances at 5 per cent., but payment of this interest will only take place month by month in the same manner as the payment of the principal moneys for each month.

PART III.—MISCELLANEOUS.

COUNCIL OF ALLIED CONTROLLERS.

55. In advising New Zealand firms regarding claims by or against them considerable help has been afforded by the information contained in the confidential reports of the meetings held by the Controllers of the Allied Clearing Offices.

56. The following paragraph regarding these meetings is quoted from the second report of the Controller of the Central Clearing Office, London, p. 8:—

Since the date of my last report, meetings of the Council have been held in London, Paris, and Strasburg, at which numerous complicated questions that had arisen in the course of the operations of the different Allied Clearing Offices were discussed. The proceedings were animated by the same spirit of loyalty and unanimity to which I referred in my previous report, and the united and varied experience of the members of the Council has assisted in finding solutions to many of the problems which had hitherto seemed well-nigh insoluble. Apart from periodical meetings, the members of the Council continually correspond with one another, seeking advice and keeping one another informed of any important decisions at which they may arrive, and this has led to unanimity of practice, which has greatly assisted in the smooth working of the Clearing Offices. I desire to record my especial appreciation of the services so willingly rendered to me at all times by my French colleague, M. Alphand, whose mastery of the various Treaty problems has been of invaluable assistance to me.