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Part 10 of Centenary of the Russian Revolution and the
Repudiation of Debt

Genoa (1922): proposals and, counter-proposals on the Tsarist debt

- Features -

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On 20 April 1922, Chicherin announced the Soviet response to the Western powers' proposals of 15 April. It indicated that: "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".

In spite of their disaccord over the exorbitant claims of the Western powers the Russian delegation said they were prepared to make concessions concerning the debt contracted by the Tsarist regime before the entry into the war on 1st August 1914. They made a number of proposals.

It was proposed, once agreement was reached, to start debt repayments after a delay of thirty years: "The resumption of payments arising out of the financial engagements accepted by the Russian Government(...), including the payment of interest will begin after a period of [30] years from the date of the signature of the present agreement".

The Russian delegation would only sign agreements with the other governments if they fully recognised the Soviet government and they granted loans, not to repay existing loans but to build the Russian economy. This would permit a breathing space for the use of fresh money and old debts repayments would resume thirty years later when the economy would have become sufficiently strong to bear them.

The Western Powers' counter proposals

On 2 May the Hosting Nations made new proposals. Although there were some small concessions (notably a delay of five years before resuming repayments) they demanded new unacceptable political conditions. The first article stated "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."

This meant that the Soviet government would renounce its calls to colonised peoples to struggle for their right to self-determination. The Soviet Union would give up its right to support independence movements such as in India, the African colonies of the different empires, particularly the British and the French. It would also have to relinquish its support for strikes and other forms of struggle outside its own borders.

The first article also stated: "It will also suppress all attempts in its territory to assist revolutionary movements in other States". This meant that it would relinquish its support for the 3rd Communist International that had been created in 1919 and had its headquarters in Moscow.

On the debt question, article 2 reaffirmed the position of the Western Powers: "the Russian Soviet Government recognizes 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."

Paragraph 2 of article 2 refused the Soviet demand for compensation for the losses of life and materials caused by the aggressions of foreign powers during and after the revolution. The text said: "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.”

Article 6 called for the creation of Mixed Arbitral Tribunals “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”.

To summarise, the Host States replaced the Russian debt commission they had proposed on 15 April by an arbitration commission that would have extensive powers and in which Russia would be in minority.

The Soviet reply reaffirmed the right to repudiate debt

On 11 May, the Soviet delegation released a declaration that marked the failure of the Genoa negotiations and forcefully reaffirmed the right to repudiate debt. Chicherin said, “It may be observed that more than one of the States present at the Genoa Conference has in the past repudiated debts and obligations which it had contracted, and that more than one has confiscated or sequestered the property of foreign nationals, as well as of its own nationals, without for that reason being exposed to the ostracism inflicted upon Soviet Russia”.

Chicherin pointed out that a regime change through revolution results in rupture with the obligations of the former regime. “The Russian Revolution needs no justification before an assembly of Powers, many of whom count more than one revolution in their own history. Revolutions, which are violent ruptures with the past, carry with them a new juridical status in home and foreign relations. Revolutionary Governments are not bound to respect the obligations of Governments which have lapsed”.

Sovereign peoples are not subject to tyrants' agreements

Chicherin continues: “The French Convention proclaimed in 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 regime 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 consolidé’*, the interest of which did not begin to be regularly paid until the beginning of the nineteenth century. This practice, which has been elevated to the rank of 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 basis of historical precedents Chicherin held that Soviet Russia was within her rights to nationalize foreign owned property on Russian territory: “The Governments of States victorious during the recent war seized the debts of nationals of vanquished States in their own territory and abroad. Russia therefore cannot be compelled to assume any responsibility towards foreign Powers and their nationals for the cancellation of public debts and the nationalization of private property”.

To the western powers' indemnities claims Chicherin retorted: “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 judicial doctrine is entirely in favour of the Russian Government. Revolution, as all great popular movements being assimilated to *force majeure*, does not confer any title of indemnity upon those who have suffered from it. When foreign nationals, supported by their Governments, demanded from the Tsarist Government, the repayments of losses caused to them by the 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”.

Chicherin concluded this part of his argumentation with: “Thus, from the point of view of the 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 other indemnities for 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”.

After which the head of the soviet delegation repeated the willingness of Soviet Russia to make concessions if they would permit agreements to be made. “Nevertheless, in a spirit of conciliation and in order to arrive at an understanding with all the powers, Russia has accepted” to recognise a part of the debt.

Chicherin showed his profound understanding of jurisprudence in insisting: “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 \$15.5 million dollars for the damages caused to that country by the privateer 'Alabama' which in the civil war between the North and the South gave help to the latter.

The intervention and the blockade of the Allies and neutrals against Russia constituted an official act 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 foreign generals sent especially for the purpose by certain powers. These powers not only took direct part in the civil war, but were its authors.”

In an annexed document, as Sack reports, “the Soviets contended that the foreign Powers which participated in the intervention against them in 1919-1920 were liable to pay for losses which Russia suffered as the result of the civil war and revolution. The Soviet delegation presented to the Conference a bill of such losses, which by far exceeded, according to their computation, all the claims of the Powers and their nationals against the Soviet government.”

Chicherin reaffirmed that Russia was ready to make concessions if granted real loans: “in its desire to reach a practical agreement, the Russian Delegation (...), 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 head of the Russian delegation rejected the Hosting States' pretensions to repayments of loans granted to the provisional government to continue a war that the people refused: “Moreover, the memorandum raises again the whole question of war debts whose cancellation was one of the conditions of the renunciation by Russia of her counterclaims”.

On the Hosting States' will to impose on Russia Mixed Arbitral Tribunals, Chicherin replied that if such a commission

was created: "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."

Finally, Chicherin denounced the fact that powers such as France defended, tooth and nail, the repayments to a few big capitalists without any consideration for the small savers to whom Russia was willing to pay indemnities: "The Russian Delegation notes, moreover, that the interested Powers reserve all their solicitude for a small group of foreign capitalists, and prevent very many foreign capitalists from enjoying the facilities and guarantees which the Russian Government would be ready to grant them. The interest of the mass of small holders of Russian bonds has also been sacrificed. It is surprising that Powers like France, amongst whose citizens the majority of these small holders are to be found, should have subordinated their interests to those of certain groups that demand the restitution of property".

Chicherin concluded on the hosting States' responsibility for the failure of the negotiations: he affirmed that for an agreement to be reached it would have been necessary that "the foreign Powers who organised the armed intervention in Russia would cease to hold towards 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 (...) The popular masses of Russia could not accept an agreement in which concessions were not balanced by real advantages."

Translated by Mike Krolkowski with Christine Pagnouille (CADTM)

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