BULGARIA.

Memorandum, as to the present state of the Bulgarian Reparation Clauses; for the use of whoever takes up this matter, now that Lord Cunliffe and I are leaving Paris.

At 3 this afternoon the Bulgarian Committee met for what was to have been its last meeting. Subject to a perfectly clear cut difference of opinion between the French and Italians on one side and the British on the other, a complete set of clauses could have been agreed this day.

This point in difference was that the British wished (Art. II) to provide that the Bulgarian Commission should be enabled to give the Bulgarian Government good discharge for all payments, and that the Treaty itself should not provide in what particular way the Governments interested should direct such payments to be dealt with, but should only preserve their rights, whatever they might be.

The French, with their passion for "precision" in season and out of season, insisted that the Bulgarian Commission must hand over money and bonds to the Reparation Commission; that nothing should be left to free choice of the powers; and that we, the Committee, must settle everything in advance. They carried this so far, that they produced a set of clauses, by which the Bulgarian Commission was to be a mere special section of the Reparation Commission, both nominated by it and responsible to it, though in name they were the delegates and representatives of France, Great Britain and Italy separately.

This was dead in the teeth of a memorandum (annexed hereto) which was circulated on June 4th and which the French had accepted. However this went for nothing. On 27th June the Committee was at issue on this point and would have sent it up to the Chiefs for them to decide without further delay.
Hitherto, though a U.S.A. representative had attended the Committee's meeting for three weeks, it was, as he said, only as a friendly observer, the U.S.A. not having been at war with Bulgaria and not wishing to take a hand in any settlement.

To-day all this changed - a new U.S.A. representative came, to take an active part in our discussions. He would not say exactly what the U.S.A. meant to do, whether to join in the Treaty or not. He would not pledge himself to say what particular objections he meant to raise. He was merely there to interfere and to upset what was all but settled and he did it.

This interference was of course fatal to our concluding our work: all sorts of things were rediscussed and half the clauses we never touched at all. To-day the effect was chiefly that the U.S.A. supported France; we have no certainty that on a future day more objections will not be raised, even to reviewing the agreed clauses.

As matters stand, if the U.S.A. interfere no further, the clauses could quickly be agreed in two alternative forms, ready for a superior decision.

The scheme proposed by the British Delegation has always been this: "Let us get rid of 'categories' and the 'evaluation' of Reparations, let us fix a lump sum for all kinds of damages, and set up a commission, partly to get the money out of Bulgaria, partly to try to help her to reform her finance and to develop her resources. The less Bulgaria is mixed up with the already overloaded Reparation Commission the better.

The French, who at first approved of this, now insist on bringing in the Reparation Commission, and to settle, now in the Bulgarian Treaty, what does not concern Bulgaria and is quite premature, namely, the machinery by which Bulgarian payments, when received, shall be divided among the Allies in accordance with their rights."
They further insist on making the Bulgarian Commission a more special section of the Reparation Commission, and responsible to it—that is the delegates of the powers, who form the Bulgarian Commission, in France, Great Britain and Italy, will be instructed by and will—probably be nominated by the Reparation Commission, on which two other—powers, the U.S.A. and another, will have an equal representation and vote.

Of course this is goodbye to any hope of making the Bulgarian Commission a useful organ of political control over Bulgaria in the interests of the Entente Powers against the ex-Enemy Powers, and reduces it to a mere book-keeping body. Such is the result of French jealousy — of course to the U.S.A. a plan that deprives Great Britain from acquiring even jointly with France and Italy, any special position of advantage, however beneficial it is generally, is a plan to be supported with vigour.

The result is a clean issue. If the French plan is adopted, there is not much to be said against their clauses, except that they are needlessly diffuse. If the British plan holds the field, there is no reason to bring in the Reparation Commission at all. The British Article II should simply say "Bulgaria will pay to the Bulgarian Commission and get from it a full discharge." There is no need to say more. The Annex will need a little amplifying. The Commission should have the power of sub-delegation — so as to negative the maxim "Delegatus non potest delegare":—its quorum should be settled say at 2; it should be brought to an end when Bulgaria has paid in full and the money has been distributed.
There is also Article VIII, which needs some amending. I want the grant of all concessions by Bulgaria to pass through the Commission's hands, so that they may be taxed or sold for the benefit of our Compensation Fund. This wants to be more clearly expressed. The U.S.A. oppose it altogether.

Their chief reason for the plan of the British Delegation of having no categories but only a lump sum is this: If Bulgaria pays for particular liabilities under categories only, then those payments will entitle Germany's benefit. Germany can say - "the debts are joint, for they are debts owed for the same things on the same categories; so far as Bulgaria pays we need not; otherwise we should be paying twice over. Hence, when we have paid in full all but the last £90,000,000 of our Treaty liability we can stop paying if Bulgaria has already paid that sum; for then she has paid you already that amount for the same things that we have been paying for." This possibility may be remote, but one must not throw away the chance, where such large sums are involved. By the plan adopted "compensation" is the word used and "Reparation" is not mentioned; this "compensation" is for losses and damages "of all sorts", and the sum is a lump sum. Thus Germany never could tell what Bulgaria had paid for - it might have been costs of the war, which is within "losses of all sorts". If so, Bulgaria and Germany would not be paying the same debts and both sums must be paid in full.

The French do not see this - they have put a distorted meaning on the word "solidarite", which they call a principle, and think it involves uniformity of machinery. The above point cannot be stated openly at the Committee, for, if the U.S.A. perceived it, they would at once insist on defeating it in the name of the XIV points (which have nothing to do with Bulgaria) and for the sake of diminishing the amount that Britain's enemies are to pay Britain, which is their
steady policy.

It is, therefore, very important that Article I, on
the wording of which this point turns, should not be altered
at all. It has been agreed, as it stands. There should be
no going back on it. The French and Italians first agreed
to and then became afraid of £90,000,000 but it is now
agreed that the Bulgarian Commission is to have power by a
unanimous vote to reduce it, and that should quiet all doubts;
and there is no justification for trying to re-open Article I.

It is essential, in order that we may keep a proper
independence with regard to this remission of debt, that
the delegates on the Bulgarian Commission - whether it is a
special section of the Reparation Commission or not - should
be appointed and instructed by their Governments direct.
At present, I understand, France, Italy and probably the
U.S.A. would accept this.

(Signed) SUMNER.
BULGARIA.

To apply to Bulgaria the same type of clauses as the German Treaty contains presents some difficulties. It was done with the Austrian clauses, but that was because Austria was in fact guilty very much as Germany was, both in forcing on the war and in conducting it inhumanly, and "solidaritō" therefore involved similarity of treatment.

Bulgaria's conduct has been inexcusable, both in attacking Serbia and in her way of making war, but to apply the full theory of solidaritō to her is more difficult, for she came into the war late and was the first to surrender and she took no part in the war in the West or at sea.

Further, for so small a country, the machinery of the Reparation Commission is perhaps excessive, while, small as Bulgaria is, the addition of her case to the already heavy burden of the Reparation Commission/to be deprecated. In practice the Commission would delegate Bulgaria to a special section. The Commission would be responsible but would not give personal attention; the special section would have the real power but not the theoretical responsibility. This position is not satisfactory either from the Allied Powers' point of view or from that of Bulgaria.

Again Bulgaria is small both in area and in population compared with Germany and her circumstances are quite distinct from those of Austria.

Her capacity to pay, though quite substantial, is limited and she presents none of the commercial and industrial problems, which are so numerous and so complex in the case of Germany.

It is certain on the one hand, that she ought to pay heavily for the wrongs she has done not only to Serbia
but the Allies generally; it is certain also that the limits of her capacity to pay would be reached long before her moral responsibility was exhausted.

There is, therefore, no such difficulty in fixing a lump sum for her liability as existed in Germany's case; nor is there the same reason as in Austria's case for requiring her formally to admit liability jointly with her associates in the war. Accordingly I suggest that the plan should be adopted of fixing her liability in the Treaty once and for all. It would be done chiefly by reference to her capacity to pay. Categories of damage and long inquiries into costs of rebuilding would be needless for Bulgaria's means would be exhausted long before her bill was paid.

In her case there would be a separate Commission, whose task would be not to fix her liability but to fix the time and mode of payment, the instalments, the interests and the security, and to make appropriate steps to enforce payment. Its principal duties would be administrative.

Bulgaria has a population, industrious and enterprising but unaccustomed to much intercourse with the world at large. Greater prosperity would make them less restless; wider relations with other countries would make them less egotistical and aggressive; in both ways Bulgaria, as well as her neighbours, would gain, for Bulgaria has been in the past a great disturber of peace in the Balkans and what the Balkans most want is peace.

Without interfering with the internal affairs of Bulgaria and Commission would, for the purpose of enforcing payment and assisting that development which will make payment easy, have access to information and records bearing on
financial questions, be entitled to give advice to the Bulgarian Government and to make representations on such subjects to the Allied Governments represented on the Commission, and, in case of need, would be empowered to take possession of State Railways and State monopolies and customs houses for the service of the debt.

If it had authority to accept part payment in local currency, it would naturally invest that payment in local undertakings, and thus assist in developing the mineral resources (which exist though they are not very extensive), the public utilities and the industrial opportunities of Bulgaria, and so in time would both secure payment of the debt and assist in stabilising Bulgaria by giving to an agricultural community a certain industrial development.

Bulgaria is not a country to which armies of occupation are appropriate as means of enforcing payment. This can be much better done by occupying State properties and taking over Customs, and for this an Administration Commission is the natural machinery. It seems likely that such an Interallied Commission would contribute powerfully to the preservation of Peace and the promotion of Bulgaria's prosperity as well as to securing due Reparation from Bulgaria.
Copy of a letter from Sir M.P.A. Hankey to
Mr. Bonar Law.
(Circulated with reference to G.T.7631).

Brynawelon,
Criccieth,
North Wales.
July 8th 1919.

Dear Mr. Bonar Law,

The Prime Minister would be glad if you would have Lord Sumner's Memorandum, (Paper No G.T.7631) which I attach, discussed at the Cabinet. The Prime Minister suggests that the detailed formulation of the British claims might be entrusted to a Committee on which the Treasury, Board of Trade, Ministry of Shipping, and Home Office, should be represented, and he thinks that perhaps Lord Sumner might be induced to take the Chair, as he has made a close study of this question.

Yours sincerely,

(Signed) M.P.A. HANKEY.

The Rt. Hon.
A. Bonar Law, M.P.