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Part 7 of the Series: Centenary of the Russian  
Revolution and the Repudiation of Debt

# Diplomatic manoeuvres around Russian debt repudiation

- Features -

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**For five weeks in April and May 1922, a summit conference was held. Britain's prime minister, Lloyd George, played a central role in it, as did Louis Barthou, the minister of the French president Raymond Poincaré.**

**The main aim of the meeting was to persuade Soviet Russia [1] both to acknowledge the debts it had repudiated in 1918 and to cease calling for a global revolution.**

## The Genoa negotiations (1922)

There were other points on the agenda of the conference attended by delegates from 34 countries, though not the United States, but none gave rise to much debate. Among them were the adoption of monetary regulations, especially regarding the *Gold exchange standard* system which was adopted that year. In the absence of the United States, decisions on this issue were made elsewhere.

The conference was hosted by five major powers: Great Britain (which had just been overtaken by the United States as the first world power), France (the third world power after the defeat of Germany), Belgium (which had been the fifth world power before the war, in terms of exportation), Japan (whose empire was expanding rapidly in East Asia) and Italy.

Of the five host powers, one, Japan, still had troops occupying Soviet Siberia. It only withdrew them permanently six months after the end of the conference, in October 1922. The other 12 countries which had sent troops in 1918 to overthrow the Soviet government and put an end to the revolutionary experiment had ceased occupation of Soviet territory in 1920. In fact the utterly demoralized foreign troops had been withdrawn when their governments had regretfully noted that the White Russian generals had been irrevocably defeated by the Red Army and that no amount of foreign intervention would remedy that. It then became necessary to use diplomacy and blackmail where arms had failed.

The major powers thought that the conference would bring the Soviet government round to recognizing the repudiated debts in view of the dramatic humanitarian and economic situation in Russia. Civil war had bled the country dry and from summer 1921, catastrophic harvests had caused terrible famine. The Western capitals believed the Soviet government to be on its knees and were convinced they would get what they wanted by making the new loans and investments Russia needed conditional upon the acknowledgment of previous debts and compensation for expropriated Western companies.

France remained the most aggressive power regarding both Soviet Russia and Germany [3], with the support of the Belgian authorities. As for Great Britain, less affected by the debt repudiation, it was more open to dialogue with Moscow and had signed an Anglo-Russian trade deal in 1921 which ended the blockade and meant *de facto* [4] recognition of Soviet Russia.

For its part, the Soviet government was ready to repay part of the debts contracted by the Tsar on several conditions: that the other powers give Soviet Russia official (*de jure*) recognition; that they grant State-to-State (i.e. bilateral) loans; that they encourage private firms affected by the expropriation of their subsidiaries to accept concessions to exploit natural resources, especially in the remotest areas of Siberia, as compensation. The Soviet government thus

hoped that foreign capitalists would invest fresh capital of their own money in activities that would fortify the Soviet economy. Furthermore, the government would not hear of setting up multilateral bodies to manage loans, investments or related legal disputes. Soviet government intended that Soviet Russia should remain entirely independent of foreign powers. There was no question of giving up any part of its sovereignty.

If these conditions were met, Moscow promised to resume payment of part of the Tsarist debt **within a thirty year time-frame**. The Soviet delegation clearly asserted several times throughout the conference that it was ready to make this concession to reach an agreement, but that they basically considered that Soviet Russia was fully within its rights to repudiate all Tsarist debt (as well as debt contracted by the provisional government between February and October 1917). Finally the conference ended in disagreement and the Soviet delegation maintained the repudiation.

Consideration of the special relationship that came about between Berlin and Moscow after the Treaty of Versailles in June 1919 is crucial to understanding how the conference was organized. The government in Berlin was composed of a coalition between the Socialists (the Social Democratic Party or SPD), the Centrists (the ancestors of Angela Merkel's Christian Democratic Union) and the Liberals (the ancestor of the present-day Free Democratic Party), and was fundamentally pro-Western and anti-Soviet. Nevertheless, under the onus of having to pay the huge reparations imposed by the Treaty of Versailles, which meant a staggering debt, Berlin was inclined to dialogue with Moscow and come to agreement. This tendency was reinforced by the desire of big German industrial companies (including AEG and Krupp) to sell their production on the Russian market, having been their main trading partner since the 1870s, as we saw. On the way from Moscow to Genoa, the Soviet delegation had made an extended halt in Berlin to carry out negotiations and meet with the German authorities before coming face to face with the host powers in the Italian city. In the middle of the Conference of Genoa, while the host powers adopted an uncompromising attitude towards Moscow, there was a sudden *coup de théâtre*. The German and Soviet delegations had met in the neighbouring town of Rapallo and signed an important bilateral agreement which has gone down in history as the Treaty of Rapallo.

It is very interesting to go over how the Conference of Genoa was conducted, the negotiations that took place and the arguments used by the different sides.

The major powers who hosted it wanted to put maximum pressure on Soviet Russia by claiming that a fundamental objective of the conference was for all countries to acknowledge their public debt and for compensation to be paid. [5]

The major powers asserted in the convocation that mutual confidence could only be restored if the nations (or the governments of the nations) wishing to obtain foreign credit would freely commit themselves to acknowledging all public debts and securities that had been or would be contracted by the State, municipal authorities or other public bodies, and also to recognize their obligation to return, restore or, failing that, compensate all foreign interests for loss or damage caused by the confiscation or sequestration of their property. [6]

Immediately Georgy Chicherin, head of the Soviet delegation, retorted that the economic reconstruction of Russia and work intended to end economic chaos in Europe would be taking a wrong and dangerous direction if the most economically powerful nations were to crush Russia under demands way beyond its capabilities, as in what that country saw as its odious past, instead of creating the requisite conditions for its economic revival and facilitating its march forward to the future. [7]

In the ensuing discussion with the Soviets, who asserted that their people and their new government could not be expected to take on debts contracted by a previous despotic regime, Lloyd George replied that when a country undertook contractual obligations towards another country or towards nationals of that country for pledged securities, that contract could under no circumstances be repudiated each time a country changed government, unless that country restitute the assets received. [8]

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*Translated by Vicki Briault and Christine Pagnouille (CADTM)*

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[1] When the Conference of Genoa took place, the Union of Soviet Socialist Republics did not yet exist. It was founded in December 1922 and officially dissolved in December 1991. At the Conference of Genoa, the Soviet delegation officially represented the Russian Soviet Federative Socialist Republic, which we have abbreviated in the present text to "Soviet Russia".

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[3] French troops occupied Düsseldorf, one of the main towns of Rhineland, in March 1921 (see Carr, T. 3. page 345). From January 1923 to July-August 1925, French and Belgian troops occupied the Ruhr Valley and its industrial production sites in order to seize industrial products and raw materials such as coal and minerals, in lieu of payment for the reparations that Germany was slow to pay. See [https://en.wikipedia.org/wiki/Occupation\\_of\\_the\\_Ruhr](https://en.wikipedia.org/wiki/Occupation_of_the_Ruhr)

[4] The recognition of a new State is either definitive âEuros" in which case it is called *de jure* recognition (i.e. as of right) - or it is provisional, or restricted, âEuros" in which case it is called *de facto* (i.e. in fact, whether by right or not) recognition. Great Britain recognized Soviet Russia *de facto* in 1921, and *de jure* in 1924.

[5] *Les Documents de la Conference de Genes*, Rome, 1922, 336 pages, p. IX. (No English version of the Convocation found.)

[6] Op. Cit.

[7] Op. Cit.

[8] Op. Cit., p. 13.