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Treaty Series No. 7 (1929)

AGREEMENT BETWEEN
HIS MAJESTY'S GOVERNMENT
IN THE UNITED KINGDOM AND
THE GOVERNMENT OF EGYPT

relative to the

Ottoman Guaranteed Loan
of 1855

and other Financial Questions

CAIRO, MARCH 17, 1929

Presented by the Secretary of State for Foreign Affairs
to Parliament by Command of His Majesty

LONDON:

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Agreement between His Majesty's Government in the United Kingdom and the Government of Egypt relative to the Ottoman Guaranteed Loan of 1855 and other Financial Questions.

Cairo, March 17, 1929.

I.—AGREEMENT RELATIVE TO THE OTTOMAN GUARANTEED LOAN OF 1855.

WHEREAS a Convention was concluded in 1855 between the Imperial Ottoman Government, of the one part, and the Government of the United Kingdom of Great Britain and Ireland and the Government of France, of the other part, whereby the two latter Governments jointly and severally guaranteed the interest on a Loan of £5,000,000 which was charged on the whole revenues of the Ottoman Empire and specially on such part of the Egyptian tribute as remained unencumbered and, moreover, on the customs of Smyrna and Syria;

And whereas the said Convention provided for certain yearly payments by the Imperial Ottoman Government for the redemption of the said Loan, but, as these payments have not been made since 1876, the amount of the said Loan still outstanding is £3,815,200;

And whereas the Government of the United Kingdom of Great Britain and Northern Ireland claim on various grounds of fact and law, and particularly by reference to the provisions of the Treaty of Lausanne, that Egypt is liable for the said Loan, but the Egyptian Government contest all liability therefor;

And whereas the Government of the United Kingdom and the Egyptian Government have reached a friendly settlement of this question;

And whereas the Government of the United Kingdom undertake to pay to the Egyptian Government a share of Reparations fixed at 0·464 (decimal four six four) of 1 per cent. of the total reparation receipts distributed to the British Empire;

Now, therefore, the undersigned, duly authorised thereto by their respective Governments, have agreed as follows:—

1. The Egyptian Government undertake to pay to the Government of the United Kingdom the sum of £328,600 (three hundred and twenty-eight thousand six hundred pounds sterling), deposited with the National Bank of Egypt in pursuance of a resolution of the Egyptian Parliament dated the 9th July, 1924, which sum represents the total of the payments between July 1924 and February 1929 on account of the part of the old Tribute formerly allocated to the service of the 1855 Loan.

The Egyptian Government undertake also to pay to the Government of the United Kingdom the sums required to cover, as from the

1st February, 1929, the service and redemption of a part of the outstanding debt, amounting to £1,386,000 nominal value, to be discharged in the following manner:—

- (a) by an immediate payment of £902,310, being the Egyptian Government's share in the sums distributed on account of Reparations up to the 30th November, 1928; and
- (b) by fifteen annual payments of £90,000 each, payable in equal quarterly instalments, commencing from the 1st February, 1929; and
- (c) by a sixteenth and final payment of £74,356 in the year commencing the 1st February, 1944.

The payments under (b) and (c) above will be made each quarter out of the sums accruing due to Egypt on account of reparations, it being understood that the Egyptian Government will pay in cash any balance required at the end of each quarter.

2. Provided that the aforesaid sums are duly paid in accordance with the conditions stated, the Egyptian Government shall be discharged absolutely from any liability for or in respect of the Imperial Ottoman Guaranteed 4 per Cent. Loan of 1855, whether for capital or interest or in any other respect whatsoever, and the Government of the United Kingdom shall be solely responsible for meeting all claims against Egypt arising out of or in respect of the said Loan, as well towards all other Governments as towards the holders of the certificates of the said Loan and all other persons.

Done in duplicate, at Cairo, this 17th day of March, 1929.

For the Government of the United Kingdom of Great Britain and Northern Ireland:

For the Government of Egypt:

LLOYD.

MOHAMMED MAHMOUD.

II.—EGYPTIAN REPARATIONS.

Lord Lloyd to Mohammed Pasha Mahmoud.

The Residency,

Cairo, March 17, 1929.

My dear Prime Minister,

I BEG to confirm the statement which the representative of the British Treasury has already made to his Excellency the Minister of Finance, viz., that the undertaking given by His Majesty's Government in the United Kingdom of their readiness to accept a general cancellation of war debts and reparations affects only the share of reparations payable to the United Kingdom; and you may rest assured that His Majesty's Government will not renounce the share of reparations allotted to Egypt without the consent of the Egyptian Government.

Yours very sincerely,
LLOYD.

III.—PREPAYMENT OF EGYPTIAN LIABILITY FOR 1855 LOAN.

Mohammed Pasha Mahmoud to Lord Lloyd.

Dear Lord Lloyd,

Cairo, March 17, 1929.

In the agreement relating to the 1855 Loan it is provided that Egypt will discharge as from the 1st February, 1929, a part of the Loan amounting to £1,386,000 (nominal) by means of an immediate payment of £302,310, and by 15 subsequent annual payments of £90,000, with a sixteenth and final payment of £74,956.

The basis of this agreement was that, so far as the initial payment is concerned, your Government would be prepared to accept £87½ in cash as the equivalent of £100 bonds, the subsequent payments being reckoned at par.

I understand that, in the event of the Egyptian Government being prepared to make additional cash payments at any time before the 1st February, 1930, your Government would be prepared to accept such additional payments on the basis of £90 cash for £100 bonds, and that either the amount or the number of the subsequent annuities to be paid by Egypt would be correspondingly reduced.

I should be grateful if you would be so kind as to confirm this.

Yours very sincerely,

MOHAMMED MAHMOUD.

Lord Lloyd to Mohammed Pasha Mahmoud.

My dear Prime Minister,

Cairo, March 17, 1929.

In reply to your letter of the 17th instant, relative to the redemption by Egypt of a part of the 1855 Loan, I beg to confirm that, in the event of the Egyptian Government being prepared to make additional cash payments at any time before the 1st February, 1930, my Government would be prepared to accept such additional payments on the basis of £90 cash for £100 Bonds, and that either the amount or the number of the subsequent annuities to be paid by Egypt would be correspondingly reduced.

Yours very sincerely,

LLOYD.

IV.—SETTLEMENT OF SHIPPING AND ARMY CLAIMS.

Mohammed Pasha Mahmoud to Lord Lloyd.

Dear Lord Lloyd,

Cairo, March 17, 1929.

As I have explained to you, I should be very glad to arrive at a friendly settlement of the outstanding claims of the British Shipping Liquidation Department, and of the Army Claim for refund of Customs Duties as detailed in the Schedules attached, and to abandon the arbitration proceedings which had been arranged on the latter claim, and I am prepared to offer a lump sum payment of £ Sterling 849,000 in full and final settlement of these two claims,

one-half of this payment to be made on the 25th March next and the balance to be paid on the 15th June next, provided that the British Government are willing to accept a settlement on this basis.

Yours very sincerely,
MOHAMMED MAHMOUD.

SCHEDULE I.

Summary of Outstanding Accounts of the Shipping Liquidation Department against the Egyptian State Railways (detailed Accounts presented July 30, 1925).

	£	s.	d.
1. Net expenditure and losses arising out of war risk casualties	495,590	9	4
2. Additional freight in respect of expenditure on defensive armament	99,710	14	10
3. Additional freight on timber shipped from Rangoon, &c.	32,660	19	6
Additional freight on timber shipped from Bombay	16,891	13	9
Total Capital claims ...	644,853	17	5

(Six hundred and forty-four thousand three hundred and fifty-three pounds sterling seventeen shillings and five pence.)

	£	s.	d.
4. Interest on outstanding accounts from date of presentation up to the 1st March, 1929	211,517	16	9

(Two hundred and eleven thousand five hundred and seventeen pounds sterling sixteen shillings and nine pence.)

SCHEDULE II.

Summary of Army Claim for Refund of Customs Duties.

		£E.	£E.
Petrol—			
Customs dues	264,602	
Interest	155,627	
		<hr/>	420,229
Kerosene—			
Customs dues	9,689	
Interest	5,587	
		<hr/>	15,276
Tin Plate—			
Customs dues	54,733	
Interest	32,096	
		<hr/>	86,829
			<hr/>
	Grand Total		522,334

(Five hundred and twenty-two thousand three hundred and thirty-four pounds Egyptian.)

Lord Lloyd to Mohammed Pasha Mahmoud.

My dear Prime Minister,

Cairo, March 17, 1929.

I HAVE to acknowledge receipt of your letter of the 17th instant stating that you are prepared to offer a lump sum of £st. 849,000 in settlement of the outstanding Shipping Liquidation and Army Customs Claims, and to abandon the arbitration proceedings which had been arranged on the latter claim. In all the circumstances, I am authorised by my Government to accept this proposal as part of a general settlement of outstanding financial questions, on the understanding that one-half of the aforesaid sum will be paid on the 25th March next and the balance on or before the 15th June next.

Yours very sincerely,
LLOYD.