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SECRET.

W.D.C.-157 (Revise.)

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CABINET PAPERS

WASHINGTON CONFERENCE ON LIMITATION OF ARMAMENT.

Copy of Despatch (No. 13) from Mr. Balfour to the Prime Minister, dated
January 13, 1922.

(Previous Papers, Nos. W.D.C. 13, 14, 24, 47, 62, 63, 71, 95, 96, 116, 117 and 123.)

Washington, January 13, 1922

SINCE my despatch No. 12* of the 30th December, there has been only one meeting of the Committee on Pacific and Far Eastern Affairs. This has been chiefly due to the press of work before the Conference in connection with naval armaments, and in part also to the desire of Mr. Hughes to allow time for the Shantung negotiations to proceed.

The meeting of the Committee took place on the 5th January, and was devoted to the questions of (a) tariff, and (b) foreign troops in China.

As regards the former, I was able to report in my telegram No. 226† of the 5th January that the Committee had unanimously adopted the resolution prepared by the Sub-Committee set up for the purpose. The text of the resolution is already in your hands, having been forwarded by post, and need therefore hardly be repeated upon further in the present despatch. For convenience of reference a copy of report of the Sub-Committee is attached hereto (Enclosure I). The tariff question is highly complicated, and has led to prolonged negotiations, some account of which is reserved for a separate despatch of to-day's date. It will suffice here to state that the Conference has unanimously agreed that the import tariff be reduced forthwith to an effective 5 per cent., and that a special Conference shall be convened to discuss the conditions upon which the existing tariff rate shall be raised to 10 per cent.

The tariff resolution was accompanied by a declaration by the Chinese Government not to disturb the present administration of the Chinese Maritime Customs, and also by a recommendation by the Sub-Committee that the Conference should pass a resolution calling attention to the present waste of China's financial resources on excessive military forces and expressing the earnest hope of the Conference that immediate steps may be taken by the Chinese Government to reduce wasteful expenditure. The idea underlying this suggestion was approved by the Far Eastern Committee, who have now referred the matter to the Drafting Committee for the preparation of a formal resolution to be adopted by the Conference.

5. As to the other matter dealt with by the Main Committee on the 5th January, namely, foreign troops in China, there again the matter has not been devoid of difficulty, and I have considered it advisable for purposes of future reference to incorporate the essential facts in a separate despatch (see my despatch No. 15‡ of to-day's date). The action of the Main Committee has taken the line, for the reasons fully set forth in that despatch, which I need not therefore enter into here, of an offer on the part of the Conference Powers represented to institute, at such time as the Chinese Government may care to ask, an enquiry into the position of such foreign troops as are at present maintained in China without treaty sanction. In some respects this arrangement is not above criticism, but in the circumstances which I have described in my despatch No. 15‡ it is difficult to see what other course was open to the Conference.

* W.D.C.-123.

† W.D.C.-122.

‡ W.D.C.-159.

6. As to Shantung, progress is unfortunately slow, as my telegrams will have shown. The conversations, which had been suspended on the 20th December to enable the Japanese Delegation to seek instructions from their Government, were resumed on the 4th January. Three conversations were held, but it was at once evident that the reference to Tokyo had retarded rather than accelerated matters. According to the statement of Baron Shidehara, the instructions of the Japanese Government are explicit and to the effect that the Delegation are to insist on the liquidation of China's debt for the railway by means of a loan to the Chinese Government by a syndicate of Japanese capitalists. The Chinese Delegation, for their part, are no less emphatic that in no case can they agree to settlement on a loan basis, and they have repeated their offer of either (a) a single cash payment down, or (b) a system of deferred payment either by Chinese Government Treasury notes, or by Chinese Bankers' Notes if Japan prefers that form of security. To neither of these alternatives have the Japanese Delegation seen their way to accede, and on the 6th January the conversations were again suspended.

7. To summarise very briefly, there are now three difficulties to be overcome: (a) mode of payment; (b) length of period of payment; (c) nature of Japanese interest in the line. The first resolves itself into a question of a loan as against deferred payment; the second turns on the difference between the fifteen years' and five years' optional redemption offered by Japan and the twelve years and three years (with six months' notice) acceptable to China; the third turns on the difference between the Japanese demand for a traffic manager and chief accountant and the Chinese offer of a district engineer. On no one of these three points has agreement yet been reached, but though on the surface the outlook is not hopeful, I am still not to despair of a compromise acceptable to both parties.

8. The formal conversations having been suspended for the time being, and the Japanese Delegation having refused to accede to the Chinese suggestion that the good offices of Mr. Hughes and myself should now be formally invoked, it remains to try other means to bring the parties together. With this object we have authorised Mr. MacMurray, of the State Department, and Mr. Lamson, of this Delegation, jointly to use such means as are open to them in an endeavour to find a common meeting ground for the opposing parties. As reported in my telegram No 244* of the 10th January, they are now engaged in this attempt, and an outline of the four bases of possible compromise which they have informally laid before the two Delegations has already been reported to you. For purposes of record the text of these four documents is enclosed (Enclosure II). Though each of these is no doubt open to criticism, they yet combine, in a variety of forms, the several points to which each side professes to attach paramount importance.

9. It remains to be seen whether these informal attempts to bring about a basis of settlement succeed or not. Should the answer be in the negative it will then be for Mr. Hughes and myself to consider what form of pressure we can bring to bear to expedite matters and prevent a definite rupture.

10 In accordance with my previous practice, I enclose a précis of the conversation between the two Delegations which have taken place since my last despatch (Enclosure III).

11. With regard to wireless telegraphy in China, as indicated in my telegram of the 30th ultimo, No. 214,† Mr. Brown, of the General Post Office, who arrived here on the 27th ultimo, immediately got into touch with the American experts, and gathered from them that there would probably be no difficulty, so far as they were concerned, in arranging a scheme for general co-operation in China between the wireless interests of Great Britain, America, France and Japan. The heads of an arrangement of this kind were accordingly drafted, and have been agreed to by the French and Japanese. One of the American experts, however, has now apparently changed his mind, and desires that wireless communications between China and the United States should be entirely in the hands of an American company (unless and until the Chinese Government themselves own and make the station in China). Another American expert, however, favours the proposed general combination; and until the American Delegation have expressed their considered views on the subject, I am unable to say precisely how the question is likely to develop. I propose to mention the matter to Mr. Hughes as soon as possible, and urge him to agree to the combined scheme. Failing his consent, it will be necessary to consider the alternative proposal, and Mr. Brown and the French expert are of opinion that, with certain modifications, it could be accepted as a *pis aller*. The attitude of the Chinese

* W.D.C.-130.

† W.D.C.-114.

themselves is a little difficult. They are not apparently prepared to discuss the question, and have expressed a wish that it should be kept out of the Conference; and the final result may be that the four Powers will have to arrive at an agreement among themselves, which they will later ask China to accept through the diplomatic channel.

I have, &c.
(Signed) A. J. BALFOUR

Enclosure I.

(B.E D.-156.)

BRITISH EMPIRE DELEGATION.

Sub-Committee on Chinese Customs Duties.

REPORT

(Approved by the Committee on Pacific and Far Eastern Questions at a Meeting held on January 5, 1922, at 11 A.M.)

THE Sub-Committee on Chinese Customs Duties, having had under consideration the proposals of the Chinese Delegate for the restoration of tariff autonomy and the readjustment of Maritime Customs Duties with a view to providing additional revenue to meet the needs of the Chinese Government, reports that it has reached the following agreement —

“ The Powers attending this Conference agree :—

“ I. That immediate steps be taken through a Special Conference representing China and the Powers which accept this Agreement to prepare the way for the speedy abolition of likin, and the fulfilment of the other conditions laid down in Article VIII, of the Anglo-Chinese Commercial Treaty of the 5th September, 1902, and the corresponding Articles of the United States and Japanese Treaties, with a view to levying the surtaxes as provided in those Articles

“ II. That the present tariff on importation shall be forthwith revised and raised to a basis of 5 per cent effective

“ That this revision shall be carried out forthwith by a Revision Committee at Shanghai on the general lines of the last revision. The revision shall proceed as rapidly as possible with a view to its completion within four months from the conclusion of the present Conference, and the revised tariff shall become effective two months after publication without awaiting ratification

“ III. That the interim provisions to be applied until the Articles referred to in Paragraph I come into operation be considered by the aforesaid special Conference, which shall authorise the levying of a surtax on dutiable imports as from such date, for such purposes, and subject to such conditions as they may determine. The surtax shall be at a uniform rate of 2½ per cent, *ad valorem*, except in the case of certain articles of luxury, which in the opinion of the Conference can bear a greater increase without unduly impeding trade, and upon which the total surtax shall not exceed 5 per cent.

“ IV.—(1.) That there shall be a further revision of the tariff to take effect at the expiration of four years following the completion of the immediate revision herein authorised, in order to ensure that the rates shall correspond to the *ad valorem* rates fixed

“ (2.) That following this revision there shall be periodical revisions of the tariff every seven years for the same purpose.

“ (3.) That in order to prevent delay such periodical revisions shall be effected in accordance with rules to be settled by the Special Conference provided in Paragraph I.

“ V. That in all matters relating to Customs duties there shall be effective equality of treatment, and of opportunity for all nations parties to this Agreement.

“ VI. That the principle of uniformity in the rates of Customs Duties levied on all the frontiers, land and maritime, of China be recognised, and that it be referred to the Special Conference mentioned in Paragraph I to make arrangements to give

practical effect to this principle, with power to authorise any adjustments which may appear equitable in cases in which the Customs privilege to be abolished was granted in return for some local economic favour.

"In the meantime, any increase in the rates of Customs duties or surtax imposed in pursuance of the present Agreement shall be levied at a uniform rate *ad valorem* on all frontiers, land and maritime.

"VII. That the charge for transit passes shall be at the rate of 2½ per cent. *ad valorem*, except when the arrangements contemplated in Paragraph I are in force.

"VIII. That the Treaty Powers not here represented shall be invited to accept the present Agreement.

"IX. That this Agreement shall over-ride all provisions of Treaties between China and the Powers which accept it which are inconsistent with its terms."

The Delegate for China submitted the following communication, which it was unanimously agreed should form a part of the foregoing Agreement as an Appendix thereto:—

"Declaration of Intention not to Disturb the Present Administration of the Chinese Maritime Customs.

"The Chinese Delegation has the honour to inform the Committee on the Far Eastern Questions of the Conference on the Limitation of Armament, that the Chinese Government have no intention to effect any change which may disturb the present administration of the Chinese Maritime Customs."

The Sub-Committee recommend that, as the foregoing agreement includes provisions relating to two distinct matters, namely:—

1. The immediate revision of the present tariff in accordance with existing Treaties; and
2. Other matters involving the modification of existing Treaties:

this report after consideration by the full Committee be referred to the Drafting Committee with a view to putting the Agreement into final form, and separating the provisions which can go into force forthwith from those which are dependent on ratification by the Powers.

The Chinese Delegate not voting, the following resolution was adopted on the 3rd January, 1922, to be annexed to the report of the Sub-Committee on Chinese Revenue and Tariff:—

"The members of the Sub-Committee in studying the question of increasing the Customs tariff rates to meet the urgent needs of the Chinese Government have been deeply impressed with the severe drain on China's public revenue through the maintenance of excessive military forces in various parts of the country. Most of these forces are controlled by the military chiefs of the provinces, and their continued maintenance appears to be mainly responsible for China's present unsettled political conditions. It is felt that large and prompt reduction of these forces will not only advance the cause of China's political unity and economic development, but hasten her financial rehabilitation. Therefore, without any intention to interfere in the internal problems of China, but animated by the sincere desire to see China develop and maintain for herself an effective and stable Government alike in her own interest and in the general interest of trade, and inspired by the spirit of this Conference whose aim is to reduce through the limitation of armament 'the enormous disbursements' which 'manifestly constitute the greater part of the encumbrance upon enterprise and national prosperity,' the Sub-Committee venture to suggest for the consideration of the Committee the advisability of laying before the Conference for its adoption a resolution, expressing the earnest hope of the Conference and embodying a friendly recommendation to China, that immediate and effective steps be taken by the Chinese Government to reduce the aforesaid military forces and expenditure."

*Franklin Square Hotel,
Washington, January 5, 1922.*

Enclosure II.

Informal Suggestions by Messrs. MacMurray and Lampson for possible Meeting Ground between the Chinese and the Japanese Delegates.

(A.)

THE Japanese Government, within three months from the date of this agreement, to transfer to a syndicate of Japanese capitalists, with a view to transfer to the Chinese Government, as hereinafter provided, all its claims with respect to the Shantung Railway, upon terms to be arranged between the Government and the syndicate.

The Japanese syndicate, within three months from the conclusion of the appraisal, and in any case not later than the 30th September, 1922, to transfer to the Chinese Banking group their interest thus acquired in the Shantung Railway at the valuation determined by the Board of Appraisal on the basis already fixed (*i.e.*, approximately 53,000,000 gold marks, plus improvements, minus depreciation), subject to the following terms:—

- (a.) The principal sum, representing the purchase price of the railway, plus usual bankers' commission, to be paid by Chinese group to the Japanese syndicate by means of bonds or bankers' notes bearing current rate of interest and running for twelve (12) years, but redeemable after three (3) years.
- (b.) This loan to be secured upon the property and revenues of the railway.

The Chinese group to turn the railway over to the Chinese Government for operation as an integral portion of the Chinese Government Railways, such transfer to be made upon terms to be agreed between the Chinese group and the Chinese Government, subject to an obligation on the part of the Chinese Government, with the concurrence of the Japanese syndicate, to select and appoint a Japanese subject as engineer-in-chief with the same functions and powers as prescribed for the engineer-in-chief of the Tien-tsin-Pukow Railway, such obligation to hold good for the duration of the loan.

(B.)

The valuation of the railway to be made by the Board of Appraisal on the basis already agreed (*i.e.*, approximately 53,000,000 gold marks, plus improvements, minus depreciation), within six (6) months from the date of agreement.

This valuation to be paid by the Chinese Government to the Japanese Government out of funds borrowed by the Chinese Government from a Japanese financial syndicate.

This loan to bear the current rate of interest and run for twelve (12) years, but to be redeemable by the Chinese Government on six months' notice at any time after the lapse of three (3) years

The loan to be secured upon the property and revenues of the railway.

The Chinese Government, with the concurrence of the Japanese syndicate, to select and appoint a Japanese subject as engineer-in-chief with the same functions and powers as prescribed for the engineer-in-chief of the Tien-tsin-Pukow Railway, such obligation to hold good for the duration of the loan.

(C.)

The valuation of the railway to be made by the Board of Appraisal on the basis already agreed (*i.e.*, approximately 53,000,000 gold marks, plus improvements, minus depreciation), within six (6) months from the date of agreement.

The Chinese Government to be at liberty, at any time after the report of the Board of Appraisal is made (which shall in no case be later than the 30th September, 1922), to purchase the railway by the deposit of the agreed valuation in a foreign bank.

The railway thereupon to be transferred to the Chinese Government for operation as an integral portion of the Chinese Government railways, subject to the condition that the Chinese Government, with the concurrence of the Japanese Government, shall select and appoint, for a period of five years from the date of agreement, a traffic manager and a chief accountant of Japanese nationality, who shall be subject to the direction and control of the Chinese Ministry of Communications.

(D.)

The valuation of the railway to be made by the Board of Appraisal on the basis already agreed (*i.e.*, approximately 53,000,000 gold marks, plus improvements, minus depreciation), within six (6) months from the date of agreement.

The Chinese Government to be at liberty, at any time after the report of the Board of Appraisal is made (which shall in no case be later than the 30th September, 1922), to take over the railway on the deposit of Chinese Government Treasury notes, secured on the property and revenues of the railway, and running for a period of twelve (12) years, but redeemable at the option of the Chinese Government on six (6) months' notice at any time after the lapse of three (3) years.

The railway thereupon to be transferred to the Chinese Government for operation as an integral portion of the Chinese Government railways, subject to the condition that the Chinese Government, with the concurrence of the Japanese Government, shall select and appoint, for the period during which these Treasury notes remain unredeemed, a traffic manager and a chief accountant of Japanese nationality, who shall be subject to the direction and control of the Chinese Ministry of Communications.

January 9, 1922.

Enclosure III.

SHANTUNG CONVERSATIONS.

January 4. 18th Meeting. Railway.

AFTER an interval of over a fortnight, the Shantung discussions were resumed and centred on the question of the mode of payment for the railway.

The Japanese Delegates announced that they were now authorised by their Government to offer to hand over the railway in return for a railway loan agreement to be made with Japanese capitalists. "It was not possible for them to agree to any plan short of an ordinary railway loan plan."

The Chinese demurred at this suggestion, and maintained their original offers of either (a) an immediate cash payment, or (b) deferred payment by Treasury notes, in deference to Japan's desire to retain an interest in the line. They reproached the Japanese for reverting again to their loan agreement plan, and also for having communicated direct with the Peking Cabinet on the question behind the back of the Delegation.

Both sides argued their own point of view throughout a long discussion, in the course of which very little progress appeared to be made. The Chinese attempted to get a clear statement as to the reason why Japan attached so much importance to this particular form of payment by means of a loan agreement. The answer, as given by the Japanese, was that the deferred payment suggested a transaction between the two Governments, while the loan agreement suggested a transaction between the Chinese Government and Japanese capitalists; it would not be proper for the Japanese Government directly to hold interest in the railway after it was handed over to China.

The Chinese Delegation also read a long statement, which summarised their view of the present stage of the discussion, and which set forth a defence of the efficiency of the Chinese railways, and the reason why China insisted on any arrangement for the operation of the Shantung Railway approximating to "Pukow terms." The Tien-tsin-Pukow Railway Loan Agreement provides that "after the completion of construction, the Chinese Government will appoint an Engineer-in-chief, who during the period of the loan shall be a European, without reference to his Syndicate."

The Chinese claim that these terms were found acceptable by the Japanese in their most recent Manchurian Railway Loan, that of the Kirin-Hueining line of 1918. The Japanese replied that the Kirin-Hueining contract was merely a preliminary one, and that the definite terms are still under negotiation.

January 5. 19th Meeting. Railway.

The Chinese Delegation proposed two slight modifications of their schemes for payment, viz. (a) in the event of an immediate cash payment proving acceptable, they would make a single cash deposit on a single date, leaving it to Japan to decide

whether she would commence transfer before or after deposit, or (b) if deferred payment were accepted, they would offer notes of the Chinese bankers instead of Treasury notes.

They then proceeded to recapitulate their reasons why a Japanese loan was unacceptable: (1) the Chinese people would fail to understand why they should have to borrow from Japan when their own bankers had offered a loan, (2) the case of the Shantung Railway was different from that of other lines in China, for which foreign money had been borrowed, as in each other case the money had been required for *construction* of the line, but in this case the line was already constructed, and the Chinese people would not see the wisdom or the necessity for borrowing foreign money, (3) the Delegation themselves were unable to see the wisdom of accepting a Japanese loan, and their instructions prevented them from going beyond the two alternatives which they had already offered, (4) the loan would cause misgiving in China, and it was desirable that all causes of misunderstanding between the two peoples should be eliminated.

The Japanese contested the validity of these objections, and enquired whether the point at issue, viz., loan agreement or deferred payment, appeared to the Chinese to be merely one of form. To the Japanese it appeared to be more than that, and if so, it would be very difficult to adjust. The Chinese insisted that what they wanted was a clear settlement; and that what the Japanese had suggested, viz., partial control, was just the thing they wished to avoid.

The Japanese stated specifically that neither of the Chinese alternatives in their present form was acceptable to the Japanese Government. Being further pressed by the Japanese as to whether the difference between deferred payment and loan agreement were one of form or of substance, the Chinese replied—

“If you are prepared to waive the idea of a Japanese loan, we are ready to consider the suggestion on the basis of our plan of deferred payment in general harmony with the substance of the railway agreements now in existence, but without the form of a loan, and within the limits of keeping the railway under full Chinese control, operation and management as you have stated to be your desire on more than one occasion.”

The Japanese reply was to the effect that there was not much hope of their Government abandoning the plan of loan agreement. The Chinese thereupon suggested that the friendly offices of Mr Hughes and Mr Balfour should be called in, the Japanese did not accept this suggestion, but asked that they might consider the situation overnight.

January 6. 20th Meeting. Railway, and British and American mediation.

The Japanese opened with the definite statement that they could not accept any proposal short of an ordinary railway loan agreement, and they outlined their proposals as follows—

1. That the period of time for which the loan is to run shall be fixed at fifteen years while China is to retain option of redeeming the whole outstanding liabilities, upon six months' notice after five years from the date of the agreement.
2. That Japanese Traffic Manager and Chief Accountant shall be engaged in the service of the Shantung Railway.
3. That details of the financial arrangement shall be worked out at Peking between the representatives of the two parties to the loan.

With regard to inviting the good offices of Mr. Hughes and Mr. Balfour, the Japanese declared that the terms of their instructions to maintain the plan of a loan agreement were quite explicit and that in the present situation they were not in a position to ask for the American and British good offices.

The Chinese Delegates again reproached the Japanese with having reverted from a consideration of the Chinese offer to their original insistence on a loan agreement. Under these circumstances they must formally withdraw their formula of the preceding day, and return to their two former alternatives. They further emphasised the fact that the loan agreement plan would be no more acceptable to the Chinese Government than it was to their delegation at Washington; fresh instructions to this effect had, in fact, arrived as the result of a recent Cabinet Meeting.

The Chinese then strongly urged that the *impasse* should be submitted for solution to the good offices of Mr. Hughes and Mr. Balfour; that offer of good offices, they insisted, was a continuing one. The Japanese did not appear to be altogether ready to admit this: and, in any case, they stated that they were not going at that moment to request American and British mediation. Instead, they proposed a further meeting on the following Monday (the 9th January). The Chinese protested against any further delay: and suggested that Mr. Hughes and Mr. Balfour be invited to attend the meetings in order to suggest a remedy. But this proposal did not recommend itself to the Japanese.

At this stage, Mr. MacMurray, who had been attending the meetings on behalf of the United States Government, intervened with the proposal that before inviting either Mr. Hughes or Mr. Balfour to come in, the two sides might take occasion to discuss the matter quite informally with these two gentlemen, a proposal which was not accepted. Sir John Jordan also stated that the foreign observers would like to have an opportunity of putting the present position before their respective chiefs, this suggestion, he added, was made quite independently of Mr. MacMurray's proposal.

The Chinese and Japanese Delegates thereupon summarised the position which each respectively maintained. As regards the invitation to Mr. Hughes and Mr. Balfour, the Japanese stated that they did not wish to raise any objection, but they were disposed to doubt the willingness of these gentlemen to attend without the request of both parties. They had been careful to avoid any intervention, and the Japanese thought that it might embarrass them to face them with such a situation.

The Japanese proposed an adjournment until the 9th January, but in view of the apparent impossibility of compromise, the Chinese insisted on an adjournment *sine die*. They felt that they owed it to Mr. Hughes and Mr. Balfour to inform them of the situation, and to consult them as to the date of the next meeting.

After a discussion as to the nature of the *communiqué* to be issued to the press, the meeting adjourned *sine die*.

Printed for the Cabinet. January 1922

SECRET.

W.D.C.-158.

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CABINET.

WASHINGTON CONFERENCE ON LIMITATION OF ARMAMENT.

*Copy of Despatch (No. 14) from Mr. Balfour to the Prime Minister, dated
January 13, 1922.*

(Previous Papers Nos. W.D.C. 13, 14, 24, 47, 62, 63, 71, 95, 96, 116, 117, 123
and 157.)

Sir,

Washington, January 13, 1922.

SINCE the transmission on the 30th December of my last despatch No. 12* regarding naval and disarmament matters, the Conference has done its work through a multitude of separate Committees, Joint Committees, Drafting Committees and special *ad hoc* discussions or conversations, between which the British Delegation Meetings and other necessary Conferences could with difficulty be inserted.

2. During this period the activities of the Naval Section have been of a most strenuous character; and if, as I have great reason to hope, a satisfactory result will be achieved, this must be attributed in a very great measure to the very great ability and the untiring zeal with which they have prosecuted their labours.

PART I.—*The Root and kindred Resolutions.*

3. In paragraph 9 of my despatch* of the 30th December I referred to the three Resolutions brought forward by Mr. Elihu Root, the text of which is in your possession. The Resolutions as finally adopted are contained in Enclosure 1. Resolution I recognises a view which I think I may fairly describe as the traditional British view, namely, that before a merchant vessel is destroyed the safety of the passengers and the crew should be provided for, whether that merchant vessel be an enemy merchant vessel or a neutral merchant vessel. This is a principle which, if my memory serves me right, has been formerly contended for by British representatives at previous conferences. The declaration in clause 2 of Resolution I, supplemented by Resolution II, will, I trust, make any future enemy of Great Britain hesitate before launching a submarine campaign against our mercantile marine. It will not escape your attention that in clause 1 of Resolution I the phraseology adopted is "submit to visit and search" (in substitution for "stop for visit and search"). This phraseology will be of peculiar interest to both the Foreign Office and the Admiralty, as the question of the locality where the right of search may be exercised was, during the war, a thorny subject (see Command Paper Cd. 8234 of 1916). The Naval Section had pointed out the need of amending the original Resolution by the interpolation of some words in the sense of "or proceed as directed" after "stop for visit and search." Mr. Elihu Root's alteration, "submit to visit and search," covered the British contention, and was both apt and adequate.

4. Resolution III, which I may term the "Piracy" Resolution, caused me some anxiety. The Naval Section were opposed to it. In its original form, as you are aware from Enclosure 3 to my Despatch No. 12* of the 30th December, the proposal affected submarine officers only. In its final form, which is the result of an amendment by Signor Schanzer, the criminal responsibility for violating the rules in Resolution I is of general application to the officers and crew of surface ships as well as of submarines.

* W.D.C.-123.

The British position early in the Conference regarding the inhumanity of the German submarine warfare in the last war and the adoption by Great Britain as well as by the other Allied and Associated Powers of the Penal Clauses in the Treaty of Peace would of themselves have compelled my adhesion to this Resolution, and Mr. Root's appeal in its favour, based on the belief that it would strengthen and crystallise the sentiments of horror which submarine outrages had aroused throughout the world, was extremely powerful. That officers and crews serving unscrupulous Governments may be placed by this rule in positions of cruel embarrassment is certainly true. But this is the fault of their Governments, not of the rule, and we may confidently expect that neither Government nor sailors will be British. As I fore-see that some new statutory legislation may possibly be required to confirm this Resolution, it may be expedient to point out that, in reply to an enquiry by Mr. Hanihara as to the exact meaning of the words "punished as if for an act of piracy," Mr. Hughes "assumed" that the violation of the laws should be treated as amounting to an act of piracy and that the guilty person would be subject to punishment accordingly; Mr. Root pointing out that though the act was done on the high seas and not under the jurisdiction of any particular country, nevertheless the offender could be punished in any country, as piracy on the high seas is justiciable anywhere. It goes beyond the present limits of international law, and evidently the five Powers represented at the Naval Conference had no authority to impose it on the rest of the world. But they made it binding as between each other, and invited other nations to adhere. Should they do so in sufficient numbers the Resolution would *ipso facto* become part of the law of nations.

5. Considerable discussion was occasioned by the use of the phrase "commerce destroyers," very largely because "destruction" had been so clearly differentiated in Resolution I from "seizure" and "attack." And when Mr. Hanihara observed that if the Resolution were adopted it excluded the use of submarines for purposes of blockade, Signor Schanzer at once protested, though after some discussion he consented, in a spirit of conciliation, to accept the view that submarines were not to be employed to carry out the functions of blockade vessels.

6. Generally it may be observed that in all the Resolutions except the fourth we have merely restated in emphatic and authoritative terms what Great Britain has always regarded as part of existing international law. In the fourth Resolution we have done something to extend the law, in harmony with a decision of the Sub-Committee of the Committee of Imperial Defence, No. 280-B, which was approved by the Cabinet as a general guide for this Delegation.

7. In the course of the discussion on the 5th January on clause 2 of Resolution I, Lord Lee suggested that the words "and aircraft" should be inserted after the first two words "belligerent submarines," and also in the third line "or aircraft" should be added after "a submarine." But Mr. Hughes pointed out that the question of aircraft could profitably be considered by itself without dealing with it in a Resolution intended to apply to submarines. The principle underlying Lord Lee's suggestion was therefore temporarily shelved until the Report on the uses of aircraft could be considered. When that Report was considered, Sir Robert Borden again raised the same point, but, in view of the obvious tendency to defer the consideration of the rules of the conduct of aerial warfare to a future Conference, Lord Lee accepted reference to such a Conference as a solution. The assimilation to aircraft of the rules of warfare of submarines against commerce will not therefore be dealt with at Washington.

8. The Report of the Committee on Poisonous Gas occasioned a discussion on the subject in the full Committee. Mr. Root seized the occasion to propose a reaffirmation of what I conceive to be the existing law, by which the use of such gases is forbidden. My position in this matter has been already explained in my telegram No. 233.* It must be acknowledged that every investigation into this subject has shown the extreme difficulty of preventing in time of peace preparations which would enable noxious gases to be produced on a great scale in time of war. This makes it impossible for nations who have no intention of employing this weapon to abandon enquiries into the means by which its attacks may be resisted, and, if necessary, countered. On the other hand, it does not absolve those who are anxious to make war more humane from condemning in the strongest terms the misuse of scientific discovery for purposes of military offence. This course has been pursued at the two Hague Conferences in 1864 and 1907 by all the Powers there represented except America, which did not ratify the Conventions. It was followed by the Allied

* No. 2 in W.D.C.-123.

and Associated Powers in March 1918, by the Allies in the Treaties of Peace of 1919, and by America in her separate Treaties with Germany and other ex-enemy countries.

The Washington Conference, therefore, has not endeavoured to initiate any change in the international law which ought to govern the practice of civilised nations in this respect. But we may hope that the emphatic declaration made by the five Powers engaged in promoting the diminution of armaments will not be without its effect in strengthening the moral aversion with which barbaric methods of warfare should be regarded by civilised nations.

9. On the 9th January Signor Schanzer introduced a Resolution desiring to ensure the enforcement of the rules of international law tending to the prohibition of the bombardment of undefended towns, villages, dwellings and buildings by aircraft. This Resolution was not adopted. It did not proceed far, as Mr. Root, on the one hand, indicated the difficulty of defining when a place was defended against bombardment by aircraft, and, on the other hand, a Report of the Sub-Committee on Aircraft had relegated to a future Conference the duty of drawing up a code of rules of aerial warfare.

I am, &c.

A. J. BALFOUR.

Enclosure 1.

BRITISH EMPIRE DELEGATION.

(B.E.D.-159.)

RULES IN REGARD TO SUBMARINES.

Mr. Root's Resolutions.

(As approved by Committee on Limitation of Armament on January 6, 1922, 11 A.M.)

I.

THE Signatory Powers, desiring to make more effective the rules adopted by civilised nations for the protection of the lives of neutrals and non-combatants at sea in time of war, declare that among those rules the following are to be deemed an established part of international law :—

1. A merchant vessel must be ordered to submit to visit and search to determine its character before it can be seized.
 A merchant vessel must not be attacked unless it refuse to submit to visit and search after warning, or to proceed as directed after seizure.
 A merchant vessel must not be destroyed unless the crew and passengers have been first placed in safety.
2. Belligerent submarines are not under any circumstances exempt from the universal rules above stated; and if a submarine cannot capture a merchant vessel in conformity with these rules, the existing law of nations requires it to desist from attack and from seizure, and to permit the merchant vessel to proceed unmolested.

II.

The Signatory Powers invite all other civilised Powers to express their assent to the foregoing statement of established law, so that there may be a clear public understanding throughout the world of the standards of conduct by which the public opinion of the world is to pass judgment upon future belligerents.

III.

The Signatory Powers, desiring to ensure the enforcement of the humane rules of existing law declared by them with respect to attacks upon, and the seizure and destruction of, merchant ships, further declare that any person in the service of any Power who shall violate any of those rules, whether or not such person is under orders of a governmental superior, shall be deemed to have violated the laws of war, and shall be liable to trial and punishment as if for an act of piracy, and may be brought to trial before the civil or military authorities of any Power within the jurisdiction of which he may be found.

IV.

The Signatory Powers recognise the practical impossibility of using submarines as commerce destroyers without violating, as they were violated in the recent war of 1914-18, the requirements universally accepted by civilised nations for the protection of the lives of neutrals and non-combatants, and to the end that the prohibition of the use of submarines as commerce destroyers shall be universally accepted as a part of the law of nations, they now accept it as henceforth binding as between themselves, and they invite all other nations to adhere to the present agreement.

*Franklin Square Hotel, Washington, D.C.,
January 6, 1922.*

Printed for the Cabinet. January 1922.

SECRET.

W.D.C. 159.

CABINET.

WASHINGTON CONFERENCE ON LIMITATION OF ARMAMENT.

*Copy of Despatch (No. 15) from Mr. Balfour to the Prime Minister, dated
January 13, 1922.*

(Previous Papers Nos. W.D.C. 13, 14, 24, 47, 62, 63, 71, 95, 96, 116, 117, 123, 157
and 158.)

Sir,

Washington, January 13, 1922.

WITH reference to my telegram No. 92* of the 2nd December, 1921, the discussion by the conference of the question of foreign troops and police in China has now reached its final stage, and a résumé of the course of the discussion may be of value.

2. Foreign troops at present stationed in China may be divided into two categories, those which are sanctioned by the final protocol of 1901 (Resumption of Friendly Relations with China after the Boxer Insurrection) and those which are not.

3. As I understand it, the troops whose presence is warranted by the 1901 protocol amount to about 5,000 in all, and include British, American, Japanese, French, Italian, Dutch and Belgian. They are stationed in and around Peking and Tien-tsin, and include the Legation guards.

4. The troops whose presence in China is not sanctioned by treaty, or whose right to be there is at least debatable, consist of the Japanese garrison in Manchuria (one full division), the Japanese troops in Shantung (four battalions), those at Hankow (one battalion, with detachments of special troops, at Tayeh, &c.), and those posted along the Chinese Eastern Railway.

5. The foreign railway guards and police maintained in China are also, I understand, all Japanese, the Russian railway guards on the Chinese Eastern Railway having now been withdrawn. Such railway guards are to be found along the Manchurian and Shantung railways; whether they are or are not maintained under treaty provisions is a point that is hotly contested by the Chinese and Japanese delegates in Washington. The Japanese police, whose presence the Chinese also strongly object to, are employed in connection with the Japanese Consulates in Manchuria and Shantung, and also at Amoy and Swatow.

6 On the 21st November, 1921, the Powers attending the Washington Conference adopted, among the principles to be observed in their investigations regarding China, the following resolution:—

“To respect the sovereignty, the independence and the territorial and administrative integrity of China.”

(See No. 1 of the Root Resolutions enclosed in my despatch No. 4† of the 24th November, 1921.)

7. On the 29th November the Chinese delegation appealed to the Committee on Pacific and Far Eastern Questions to put this principle into practice by securing the withdrawal of all foreign troops, except those whose presence was sanctioned by treaty. The text of the Chinese proposal was as follows:—

“Each of the Powers attending this conference hereinafter mentioned, to wit, the United States of America, Belgium, the British Empire, France, Italy, Japan,

* W.D.C.-36.

† W.D.C.-47.

the Netherlands and Portugal, severally declare that, without the consent of the Government of China, expressly and specifically given in each case, it will not station troops or railway guards, or establish and maintain police boxes, or erect or operate electrical communication installations upon the soil of China; and that, if there now exist upon the soil of China such troops or railway guards or police boxes or electrical installations without China's express consent, they will be at once withdrawn."

At the same time, the Chinese delegation submitted a list of the troops and police whose withdrawal they were demanding.

8. The Japanese defended their position with regard to their troops and police. They took the line that their presence was necessary to maintain order; Japan had never entertained any aggressive designs or any desire to encroach illegitimately upon Chinese sovereignty in sending or maintaining these garrisons in China; they would be withdrawn when conditions warranted their withdrawal. The question of Japanese consular police in China was purely a Japanese one; such police did not interfere with Chinese or other foreign nationals; their duties were (1) to prevent the commission of crimes by Japanese; (2) to find and prosecute Japanese criminals.

9. The right to maintain railway guards along the Manchurian Railway was, so the Japanese contended, conceded and recognised by China under the Treaty of Peking of 1905 (Additional Agreement, article 2), but the Chinese denied that this provision had ever been accepted by their Government.

10. With regard to the different localities in which Japanese troops were stationed, the Japanese delegation took the following line:—

- (1.) They defended the maintenance of troops along the South Manchurian Railway as being conceded and recognised by China under treaty, as indicated in the foregoing paragraph, and they affirmed that the activities of mounted bandits rendered the presence of Japanese railway guards essential. But their statement on this point seems to confuse the issue between the railway guards, for whose presence there is some justification in the treaty, and the regular troops, for whose withdrawal the treaty explicitly stipulates, but who have never been withdrawn.
- (2.) In Shantung the question of the railway guards, so they said, was bound up with the general settlement of the Shantung question, and, in any case, Japan had offered to withdraw the guards so soon as China had duly organised a police force to take over the protection of the line.
- (3.) At Hankow, the presence of Japanese soldiers had, since 1911, been found necessary for the protection of foreign interests in the disturbed conditions there prevalent, but the Japanese Government were looking forward to a complete withdrawal at an early opportunity.
- (4.) The stationing of foreign garrisons in North China was recognised by the Chinese Government under the Boxer Protocol; Japan would, however, be ready to withdraw her troops so soon as conditions warranted, and in unison with the other Powers.
- (5.) Troops along the Chinese Eastern Railway were stationed there in connection with the Inter-Allied Agreement concluded at Vladivostok in 1919; and they would be withdrawn so soon as the Japanese evacuated Siberia.

11. The Japanese statement was distributed at the meeting of the committee on the 30th November, but discussion of the subject was not resumed until the 2nd December.

12. On the 2nd December, the Chinese delegation read a long counter-statement, contradicting many of the Japanese assertions, and it became plain that the discussion was likely to become an unprofitable interchange of statement and counter-statement on details which it was not within the power of the conference to verify. Eventually, the matter was referred to the Standing Drafting Committee for the preparation of a resolution for submission to the main committee, the idea being that an enquiry into the conditions in China and the withdrawal of foreign troops might conveniently be linked with the enquiry into extra-territoriality, and that the same commission might possibly combine the two tasks.

13. In voting in favour of this proposal, I made it clear that I thought that any such commission should consider the status of *all* foreign troops in China, including those maintained under the 1901 protocol. I made this situation in order to ease the situation for Japan.

14. The official minutes of these three meetings were forwarded to Mr. Wellesley on the 2nd December. Copies of the four statements and counter-statements of the Chinese and Japanese delegations have not been enclosed in this despatch, as they have already been forwarded to the Secretary of State for Foreign Affairs as follows :—

- * (1.) First statement of Chinese delegation submitted to the committee on the 29th November.
- * (2.) First statement of Japanese delegation made by Mr. Hanihara at the meeting of the committee on the 30th November.
- * (3.) Second statement of Chinese delegation made by Mr. Sze at the meeting of the committee on the 2nd December.
- * (4.) Second statement of Japanese delegation submitted to the committee on the 7th December.

15. The Standing Drafting Committee then proceeded to deal with this question at its third meeting on the 6th December. Mr. Root submitted a draft resolution, which was dropped owing to the opposition of Mr. Koo. Mr. Koo himself proposed a formula under which the Powers concerned undertook to withdraw their troops, where maintained without treaty sanction, so soon as they were satisfied that the protection provided by the Chinese local authorities for the safety of life and property was reasonably adequate. According to Mr. Koo's proposal, the time and conditions for withdrawal were to be determined by the diplomatic representatives in Peking of the conference Powers, acting in concert with the Chinese Government. Finally, after considerable discussion, it was decided that Sir A. Geddes should prepare a fresh draft for submission at the next meeting of the Drafting Committee.

16. Rough minutes of this meeting were forwarded to Mr. Wellesley on the 8th December, enclosing the text of the American and Chinese draft resolutions, referred to in the foregoing paragraph.

17. At the fourth meeting of the Drafting Committee on the 7th December Sir A. Geddes submitted his draft resolution. This draft Mr. Koo declared to be *primâ facie* acceptable to him and to preclude the objections which he had foreseen in coupling the question of the withdrawal of troops with that of extra-territoriality. After certain emendations had been made, the committee adjourned on Mr. Koo's statement that, although personally he was favourably impressed with the draft, he must submit so important a matter to his Chinese colleagues before giving his final concurrence.

18. The minutes of the meeting were forwarded to Mr. Wellesley on the 9th December, and include the original text of Sir A. Geddes' draft resolution

19. For various reasons the Drafting Committee did not meet again until the 3rd January, when the fifth meeting was convened by Mr. Root. At this meeting Mr. Koo advanced an entirely different argument to that which he had hitherto maintained. He began by stating that his Government had not seen their way to approve of the draft resolution. He urged that an enquiry in the form proposed might well result in a practical condonation, or even approval, of the presence in China of such foreign troops as were there without treaty sanction, and might even be held to establish a precedent for the despatch to China of troops by Powers other than those at present maintaining garrisons there. It was the view of the Chinese Government that, whatever might be the practice of international law with regard to the sending of troops into a foreign State for protection of life and property during an emergency, such action should be regarded only as a temporary measure. On the passing of the emergency the troops should be immediately withdrawn, and the obligation to withdraw should not be dependent on an enquiry into the domestic conditions of the country into which they had been sent. Mr. Koo therefore asked whether the subject could not be considered in a more practical way under the following sub-headings :—

- (1.) Troops in Shantung to be withdrawn as part of a Shantung settlement.
- (2.) Troops at Hankow to be withdrawn at once.
- (3.) Troops in other parts of China to form a separate question.

20. Mr. Root did not concur in this new proposal. He reminded Mr. Koo that it was not the Drafting Committee, but the Chinese themselves, who had suggested the original method of dealing with the question. The delegates on the main committee were on record as recognising that an abnormal state of affairs prevailed in China to-day. The main committee had decided that any action to be taken depended upon existing

* These four statements are reproduced as Cabinet Paper No. W.D.C.-176.

facts, and it would be regrettable if the public impression were given that the conference were unable to do anything in this matter. He suggested that something on the lines of the draft resolution should be made as an offer to China, to be taken for use in the future if necessary.

21. In due course the draft resolution was adopted for report to the main committee, the Chinese representative abstaining from voting. Slight alterations were made in the draft in order to present the action of the signatory Powers as an offer to conduct an enquiry into local conditions if and when the Chinese Government requested them to do so.

22. Rough minutes of the above meeting will be found in Enclosure 1 to this despatch.

23. The draft resolution was finally adopted at the meeting of the Pacific and Far Eastern Committee on the 5th January (see Enclosure 2). The Chinese delegation abstained from voting, and placed themselves formally on record in the sense of Mr. Koo's statement before the Drafting Committee. I regret that at the time of writing a copy of the Chinese statement is not available, but it will be reproduced in the official minutes of the meeting, which will be forwarded to your Lordship in due course.

24. A somewhat heated incident occurred before the close of the debate between Mr. Root and Mr. Alfred Sze. It had originally been suggested in the proceedings of the Drafting Committee that the resolution should be made to cover the question of foreign police as well as foreign troops in China. At the written request of Mr. Koo to Mr. Root, chairman of the Drafting Committee, the allusion to such police had been eliminated from the resolution before its submission to the main committee. Nevertheless, when the resolution came up and was passed by the committee, Mr. Sze, in making his statement on behalf of the Chinese Government to which I have referred above, specifically alluded to this omission as showing a flaw in the action taken by the Drafting Committee. This insinuation was evidently keenly resented by Mr. Root, and an apology was drawn from Mr. Sze for having overlooked the specific request of Mr. Koo to cut out the allusion. As a result of this incident the committee decided to reinsert the reference to police in the preamble to the resolution, and to add a reference to railway guards, a subject to which the Chinese delegation have alluded more than once.

25. The resolution thus stands as adopted by the main committee on the 5th January, and though in some respects it may be regarded as not free from objection, it is difficult to see what other course was open to the conference. If from the first the Chinese delegation had confined themselves to dealing separately with the questions of troops: (1) at Hankow, (2) in Shantung, (3) elsewhere in China, I see no reason why they might not have secured their object, at any rate in the matter of the troops at Hankow. By including the question of the presence of Japanese troops in Manchuria, the Chinese delegation gave their Japanese colleagues an opportunity to argue that the prevailing conditions of lawlessness in that province rendered withdrawal premature. It was obviously impossible for the conference to act as arbiter in a matter of statement and counter-statements between the Chinese and Japanese delegations as to the degree of security for life and property actually existing. The net result was the adoption of a middle course; and it is to be noted that Mr. Koo himself was not at first opposed to some form of local enquiry into existing conditions (see above, paragraph 15).

26. In its final form the resolution constitutes an offer on the part of the eight Powers to commence, so soon as the Chinese Government may ask them to do so, an enquiry into local conditions with a view to deciding whether the retention of troops is justified or not. The policy thus indicated may give Japan a loophole for retaining her garrison at Hankow if she so desires. But this result seems to me to be the inevitable consequence of the manner in which the Chinese delegates have handled their case.

27. As to the troops in Shantung, their removal obviously depends on the settlement of the Shantung question, which is still in suspense; whilst as for Manchuria, the Chinese delegation would have done well to accept facts and not prejudice their case, by challenging the inevitable.

I am, &c.

ARTHUR JAMES BALFOUR.

Enclosure 1.

*Rough Notes of Fifth Meeting of Far Eastern Drafting Committee held
January 3, 1922, at 4.30 P.M.*

(Mr. Root in the Chair)

Mr. Root suggested the time had come to get the question of foreign troops in China disposed of, and read the draft resolution prepared by Sir A. Geddes and submitted to the last meeting of the sub-committee. The last phase of the matter was that *Mr. Koo* had asked for a postponement in order to refer to Peking.

Mr. Koo said that since the last meeting the Chinese delegation have been communicating with their Government to obtain their approval. So far it had not been received. Their view is that, so far as "non-treaty" troops in China are concerned, such an enquiry could not produce the desired result, for the Chinese Government feel that if, after enquiry, the recommendation of the nine Powers were to withdraw foreign troops, the various Governments might still refuse to do so. On the other hand, if the recommendation were against withdrawal, such a recommendation would go to imply a sanction of these non-treaty troops and establish a precedent. At the moment only two Powers maintain such non-treaty troops—he might say, from a practical point of view, only one—he need not specify names.

Then, turning to the question of troops at Hankow, he stated that these troops have no treaty sanction and should be withdrawn. In international law the sending of troops can only be an emergency measure, and, with the passing of such emergency, they should be withdrawn. The Chinese Government have not therefore seen their way to consenting to the proposed enquiry. He asked if the question could not be considered in a more practical way.—

1. Troops in Shantung to be withdrawn as part of the settlement of that question.
2. Troops at Hankow to be withdrawn at once.
3. Troops in other parts of China to form a separate question.

Mr. Root replied that if eight other Powers had proposed the course indicated in *Mr. Koo's* resolution, it would be appropriate for the Treaty Powers to desist. But this was not quite the position. The matter was brought before the conference, and the statement made that troops maintained in China were there in accordance with international law for the protection of lives and property. To that statement great strength was given by the general knowledge of the state of affairs in China. Indeed, they were all on record as recognising the existence of disturbed conditions. The matter having been brought before the committee, and the question of what was to be done depending upon existing facts, they should, he thought, all regret it if the public impression were given that the conference were unable to do anything. He suggested that something on the lines of the resolution should be made as an offer to China, to be taken for use in the future, if necessary.

Mr. Koo said that the position of Hankow was exceptional. He described generally the system of municipal government in the residential concessions; inside those concessions the inhabitants are protected by police and municipal authorities. But seldom, if ever, have the Japanese troops been called in to protect the Japanese nationals. No other Power maintains troops to protect its nationals. In these circumstances, he would like to ask the Japanese delegation whether their Government were prepared to withdraw their troops.

Mr. Hamhara said that he had stated in full committee that the Japanese Government were looking for an opportunity for the early withdrawal of these troops, when circumstances permitted. They had been used from time to time for the protection not only of Japanese but other foreign nationals in Hankow. Again, he affirmed that there was no desire on the part of the Japanese Government to make the stationing of Japanese troops there permanent. They were looking forward to the moment when they could withdraw them.

Mr. Koo said that there was one aspect which he perhaps did not emphasise sufficiently. The very presence of these foreign troops had led to quarrels with Chinese troops. He quoted cases. The presence of these foreign troops caused anxiety to the Chinese Government and local authorities. In pressing for their

withdrawal, the Chinese Government were animated as much by a desire to avoid such causes of friction as by a desire to prevent derogation to Chinese sovereignty.

Sir A. Geddes stated that this question first came up about a month ago, and that he did not misinterpret the feeling in the main committee when he said that the suggestion of the removal of foreign troops from China was received with great sympathy. At the same time, there was a general feeling of ignorance as to conditions in China and as to whether their withdrawal was at that moment opportune. To the best of his recollection the request was put forward in general terms by the Chinese delegation, limited by the statement that there was no intention of pressing for the withdrawal of 1901 troops. That request in its original form was one that they must consider before the whole world. Now Mr. Koo had modified his approach from the general to the particular. He felt he had not sufficient information to deal with these points. He fully understood Mr. Koo's feelings on the subject, but did not know what would be the effect if the original proposals were withdrawn. Human lives were at stake. The purpose of the draft (for which he was merely the instrument of the committee) was to provide authentic information on which action might be taken. They were in the realm of statement and counter-statement. And so, in full sympathy with his Chinese colleague, he suggested that the best means open to the committee was to act on the lines suggested by the chairman and to make this offer—if necessary, so phrased as to be a continuing offer—to pave the way for the withdrawal of foreign troops. Thus, in general, he concurred in the view that Mr. Root had put forward. He suggested a slight modification to meet this point.

Mr. Root proposed to put the matter to the eight Powers, exclusive of China, to make the position easier for Mr. Koo. It would be an offer which the Chinese Government could accept later.

Mr. Koo called attention to the wide scope of paragraph 3 of the draft preamble. Did this only refer to localities where foreigners may reside?

Sir A. Geddes and *Mr. Root* replied that the paragraph was purposely vaguely and largely drawn.

Mr. Root put the draft to the vote and it was accepted, the Chinese delegates remaining silent.

Mr. Koo enquired whether the question of police forces had not also been referred to the sub-committee.

Mr. Root agreed, and suggested that the question could be dealt with by adding the word "police" to the wording of the draft.

Sir A. Geddes suggested that the term "armed forces" covered both.

M. Cartier agreed.

Mr. Root said that there was some doubt as to whether or not "police" were referred to, but the General Committee decided that it was. He put it to the committee that the words be added.

Mr. Koo abstained from voting, and said that he would like to have an opportunity of thinking over the connection between police and the present draft.

Mr. Root asked that it be decided that the words "including police" were included unless Mr. Koo wrote to the chairman to the contrary. If Mr. Koo wanted them omitted, then the resolution would be reported without these words. In any case, the resolution would be reported at the next meeting. It was time that things were put into shape for final action.

M. W. LAMPSON.

Enclosure 2

(B.E.D.-157.)

*British Empire Delegation.*TROOPS IN CHINA.

*Resolution Adopted at Meeting of Pacific and Far Eastern Committee at 11 A.M.,
January 5, 1922.*

(*Note.*— China abstained from voting.)

WHEREAS the Powers have from time to time stationed armed forces, including police and railway guards, in China to protect the lives and property of foreigners lawfully in China;

And whereas it appears that certain of these armed forces are maintained in China without the authority of any treaty or agreement;

And whereas the Powers have declared their intention to withdraw their armed forces now on duty in China without the authority of any treaty or agreement, whenever China shall assure the protection of the lives and property of foreigners in China;

And whereas China has declared her intention and capacity to assure the protection of the lives and property of foreigners in China;

Now to the end that there may be clear understanding of the conditions upon which in each case the practical execution of those intentions must depend;

It is resolved:

That the Diplomatic Representatives in Peking of the Powers now in conference at Washington, to wit, the United States of America, Belgium, the British Empire, France, Italy, Japan, the Netherlands and Portugal, will be instructed by their respective Governments, whenever China shall so request, to associate themselves with three representatives of the Chinese Government to conduct collectively a full and impartial enquiry into the issues raised by the foregoing declarations of intention made by the Powers and by China, and shall thereafter prepare a full and comprehensive report setting out without reservation their findings of fact and their opinion with regard to the matter hereby referred for enquiry, and shall furnish a copy of their report to each of the nine Governments concerned which shall severally make public the report with such comment as each may deem appropriate. The representatives of any of the Powers may make or join in minority reports stating their differences, if any, from the majority report.

That each of the Powers above named shall be deemed free to accept or reject all or any of the findings of fact or opinions expressed in the report, but that in no case shall any of the said Powers make its acceptance of all or any of the findings of fact or opinions either directly or indirectly dependent on the granting by China of any special concession, favour, benefit or immunity, whether political or economic.

*Franklin Square Hotel, Washington, D.C.,
January 5, 1922.*

Printed for the Cabinet. February 1922.

SECRET.

W.D.C. 183.

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CABINET.

WASHINGTON CONFERENCE ON LIMITATION OF ARMAMENT.

*Copy of Despatch (No. 16) from Mr. Balfour to the Prime Minister, dated
January 20, 1922.*

(Previous Papers, Nos W.D.C. 13, 14, 24, 47, 62, 63, 71, 95,
96, 116, 117, 123, 157, 158 and 159)

Sir,

Washington, January 20, 1922.

IN my last despatch, dated the 13th January, No. 14,* regarding the limitation of armament, I advisedly omitted mention of matters connected with the Naval Treaty, as I anticipated that the new Treaty would be completed within the next few hours. Great progress had been made during the previous few weeks in framing the Articles of the Treaty, and on the 9th January a draft of the Treaty had been circulated. In this form it came several times before a special Committee, consisting of the Heads of the five Delegations. The second draft was considered on the afternoon of Friday, the 13th January (the date of my last despatch) and a corrected copy† was sent home by one of the staff of this Delegation who was leaving for England on that date. The third draft was prepared on Saturday, the 14th January, and is attached herewith (Appendix 1).

2. Both the second and third drafts were, apart from relatively minor details, complete, with the exception of one Article, namely, Article XIX, and this has been the cause of the delay in completing the Treaty.

3. Article XIX is intended to deal with the *status quo* as regards naval bases and fortifications in the Pacific, which you will recall formed part of the Agreement announced on the 15th December, with respect to the naval ratio of the capital fighting ships of the United States of America, Great Britain and Japan. As the result of consultation with the Naval Section and with their Legal Adviser, the British Empire Delegation had proposed to define, as in Appendix 2, the Pacific region, this definition being supplemented by a map showing the rectangular area in the Pacific referred to therein, to which the *status quo* should apply. At first this appeared to meet with general acceptance, but the Japanese Delegation deemed it necessary to obtain the concurrence of the Japanese Government. Up to the present time the Japanese Delegation has not received a final reply, and so far as the Conference and the Committee of the Conference on Limitation of Armament is concerned, the matter has been at a standstill ever since my last despatch.

4. The British Empire Delegation, however, have had to consider what attitude they should adopt if the Japanese Delegation should find it impossible to accept the proposed rectangle. In this connection, Senator Pearce indicated, on the 9th January, that it was necessary to include the non-mandated islands of the Commonwealth, including the non-mandated portion of Australian New Guinea, in the term "Australia" as used in the announcement of the 15th December. He stated that the Commonwealth authorities wished to retain the right to create naval bases and fortifications in such islands, if they should ever so desire, in accordance with the recommendations of Admiral Lord Jellicoe at the time of his mission to Australia. I do not see any reason to anticipate difficulty in securing the essential requirements of the British Empire in regard to this Article.

* W.D.C. 158.

† W.D.C. 150.

5. Minor modifications in the third draft of the Treaty are still receiving attention, *e.g.*, the removal of the restriction of a 10,000 ton limit on armed merchant cruisers and armed fleet auxiliaries (Article XI), the revision of the definition of "aircraft carrier" (Part 4, Chapter II), the insertion of a note safeguarding the retention of H.M.S. "Colossus" and "Collingwood" as boys' training ships, or, as I myself would prefer to define them, as floating barracks, and other minor matters. These are the subjects of informal negotiations or drafting amendments.

6. The report of the Committee on Aircraft, to which I referred in my despatch No. 14,* is forwarded herewith (Appendix 3). The conclusions of this report were adopted by the Committee on Limitation of Armament. Arising out of this report, a resolution was proposed by Mr. Hughes, referring to the Drafting Committee, the question of drawing up the terms of reference that should be given to a Committee of Jurists to be appointed in the future to codify the rules for the conduct of aerial warfare and other rules of war that may appear necessary on account of new war agencies. I pointed out the desirability of restricting the scope of the Committee's work and the need of supplementing the views of jurists by the experience of Naval, Military and Air Force Officers. The Drafting Committee met on the 18th January, and is meeting again to-day, and I anticipate their resolution will shortly be available.

7. I am still unable to state when the next open session of the full Conference on naval and armament matters will be held. This depends upon when the Japanese Delegation receives its final instructions in regard to the *status quo* in the Pacific.

I am, &c.
(Signed) A. J. BALFOUR.

APPENDIX 1.

Third Draft.

THE United States of America, the British Empire, France, Italy and Japan;
Desiring to contribute to the maintenance of the general peace, and to reduce the burdens of competition in armament;

Have resolved, with a view to accomplishing these purposes, to conclude a Treaty to limit their respective naval armament, and to that end have appointed as their Plenipotentiaries;

Who, having communicated to each other their respective full powers, found to be in good and due form, have agreed as follows:—

CHAPTER I.

GENERAL PROVISIONS RELATING TO THE LIMITATION OF NAVAL ARMAMENT.

ARTICLE I.

The Contracting Powers agree to limit their respective naval armament as provided in the present Treaty.

ARTICLE II.

The Contracting Powers may retain respectively the capital ships which are specified in Chapter II, Part 1. On the coming into force of the present Treaty, but subject to the following provisions of this Article, all other capital ships, built or building, of the United States, the British Empire and Japan shall be disposed of as prescribed in Chapter II, Part 2.

In addition to the capital ships specified in Chapter II, Part 1, the United States may complete and retain two ships of the "West Virginia" class. On the completion of these two ships the "North Dakota" and "Delaware" shall be disposed of as prescribed in Chapter II, Part 2.

The British Empire may, in accordance with the replacement table in Chapter II, Part 3, construct two new capital ships not exceeding 35,000 tons (35,560 metric tons)

* W.D.C. 158.

standard displacement each. On the completion of the said two ships the "Thunderer," "King George V," "Ajax" and "Centurion" shall be disposed of as prescribed in Chapter II, Part 2.

ARTICLE III.

Subject to the provisions of Article II, the Contracting Powers shall abandon their respective capital ship building programmes, and no new capital ships shall be constructed or acquired by any of the Contracting Powers except replacement tonnage which may be constructed or acquired as specified in Chapter II, Part 3.

Ships which are replaced in accordance with Chapter II, Part 3, shall be disposed of as prescribed in Part 2 of that Chapter.

ARTICLE IV.

The total capital ship replacement tonnage of each of the Contracting Powers shall not exceed in standard displacement, for the United States 525,000 tons (533,400 metric tons); for the British Empire 525,000 tons (533,400 metric tons); for France 175,000 tons (177,800 metric tons) for Italy 175,000 tons (177,800 metric tons), for Japan 315,000 tons (320,040 metric tons).

ARTICLE V.

No capital ship exceeding 35,000 tons (35,560 metric tons) standard displacement shall be acquired by, or constructed by, for, or within the jurisdiction of, any of the Contracting Powers

ARTICLE VI.

No capital ship of any of the Contracting Powers shall carry a gun with a calibre in excess of 16 inches (406 millimetres).

ARTICLE VII.

The total tonnage for aircraft carriers of each of the Contracting Powers shall not exceed in standard displacement, for the United States 135,000 tons (137,160 metric tons); for the British Empire 135,000 tons (137,160 metric tons); for France 60,000 tons (60,960 metric tons); for Italy 60,000 tons (60,960 metric tons); for Japan 81,000 tons (82,296 metric tons)

ARTICLE VIII.

The replacement of aircraft carriers shall be effected only as prescribed in Chapter II, Part 3, provided, however, that all aircraft carrier tonnage in existence or building on the 12th November, 1921, shall be considered experimental, and may be replaced, within the total tonnage limit, without regard to its age.

ARTICLE IX.

No aircraft carrier exceeding 27,000 tons (27,432 metric tons) standard displacement shall be acquired by, or constructed by, for, or within the jurisdiction of, any of the Contracting Powers; provided, however, that any of the Contracting Powers may, without increasing its total tonnage of aircraft carriers, build not more than two aircraft carriers, each of a tonnage of not more than 33,000 tons (33,528 metric tons) standard displacement, and in order to effect economy any of the Contracting Powers may use for this purpose any two of their ships, whether constructed or in course of construction, which would otherwise be scrapped under the provisions of this Treaty. The armament of any aircraft carriers exceeding 27,000 tons (27,432 metric tons) standard displacement shall be in accordance with the requirements of Article X except that the total number of guns to be carried in case any of such guns be of a calibre exceeding 6 inches (152 millimetres) shall not exceed 8.

ARTICLE X.

No aircraft carrier of any of the Contracting Powers shall carry a gun with a calibre in excess of 8 inches (203 millimetres). Without prejudice to the provisions

of Article IX, if the armament carried includes guns exceeding 6 inches (152 millimetres) in calibre the total number of guns carried shall not exceed ten. If alternatively the armament contains no guns exceeding 6 inches (152 millimetres) in calibre, the number of guns is not limited. In either case the number of anti-aircraft guns and of guns not exceeding 4.7 inches (120 millimetres) is not limited.

ARTICLE XI.

No vessel of war exceeding 10,000 tons (10,160 metric tons), standard displacement other than a capital ship or aircraft carrier, shall be acquired by, or constructed by, for, or within the jurisdiction of, any of the Contracting Powers. Provided that vessels not specifically built as fighting ships, or taken under Government control for fighting purposes, which are employed on fleet duties or as troop transports or in any other way for the purpose of assisting in the prosecution of hostilities other than as fighting ships, shall not be within the limitations of this Article

ARTICLE XII.

No vessel of war of any of the Contracting Powers, hereafter laid down, other than a capital ship, shall carry a gun with a calibre in excess of eight inches (203 millimetres).

ARTICLE XIII.

Except as provided in Article IX, no ship designated in the present Treaty to be scrapped may be reconverted into a vessel of war.

ARTICLE XIV.

The Contracting Powers agree that no preparations shall be made in merchant ships in time of peace for the installation of warlike armaments for the purpose of converting such ships into vessels of war, other than the necessary stiffening of decks for the mounting of guns not exceeding six inch (152 millimetres) calibre.

ARTICLE XV.

No vessel of war constructed within the jurisdiction of any of the Contracting Powers for a non-Contracting Power shall exceed the limitations prescribed by the present Treaty for vessels of a similar type which may be constructed by or for any of the Contracting Powers; provided, however, that the tonnage displacement for aircraft carriers so constructed shall in no case exceed 27,000 tons (27,432 metric tons) standard displacement.

ARTICLE XVI.

If the construction of any vessel of war for a non-Contracting Power is undertaken within the jurisdiction of any of the Contracting Powers, such Power shall promptly inform the other Contracting Powers of the date of the signing of the contract and the date on which the keel of the ship is laid; and shall also communicate to them the particulars relating to the ship prescribed in Chapter II, Part 3, Section I (e), (4) and (5).

ARTICLE XVII.

In the event of a Contracting Power being engaged in war, such Power shall not use as a vessel of war any vessel of war which may be under construction within its jurisdiction for any other Power or which may have been constructed within its jurisdiction for another Power and not delivered.

ARTICLE XVIII.

Each of the Contracting Powers undertakes not to dispose of any vessel of war in such a manner that such vessel may become a vessel of war in the Navy of any foreign Power.

ARTICLE XIX.

ARTICLE XX.

The rules for determining tonnage displacement prescribed in Chapter II, Part 4, shall apply to the ships of each of the Contracting Powers.

The expression "standard displacement" is used in the present Treaty in the sense defined in Chapter II, Part 4

CHAPTER II

RULES RELATING TO THE EXECUTION OF THE TREATY—DEFINITION OF TERMS.

PART 1.—*Capital Ships which may be Retained by the Contracting Powers.*

In accordance with Article II ships may be retained by each of the Contracting Powers as specified in this Part.

SHIPS which may be retained by the United States.

Name.	Tonnage.	Name.	Tonnage.
Maryland	32,600	Nevada	27,500
California	32,300	New York	27,000
Tennessee	32,300	Texas	27,000
Idaho	32,000	Arkansas	26,000
New Mexico	32,000	Wyoming	26,000
Mississippi	32,000	Florida	21,825
Arizona	31,400	Utah	21,825
Pennsylvania	31,400	North Dakota	20,000
Oklahoma	27,500	Delaware	20,000

Total tonnage, 500,650

On the completion of the two ships of the "West Virginia" class and the scrapping of the "North Dakota" and "Delaware," as provided in Article II, the total tonnage to be retained by the United States will be 525,850 tons.

SHIPS which may be retained by the British Empire.

Name.	Tonnage.	Name.	Tonnage.
Royal Sovereign	25,750	Emperor of India	25,000
Royal Oak	25,750	Iron Duke	25,000
Revenge	25,750	Marlborough	25,000
Resolution	25,750	Hood	41,200
Ramillies	25,750	Renown	26,500
Malaya	27,500	Repulse	26,500
Valiant	27,500	Tiger	28,500
Barham	27,500	Thunderer	22,500
Queen Elizabeth	27,500	King George V	23,000
Warspite	27,500	Ajax	23,000
Benbow	25,000	Centurion	23,000

Total tonnage, 580,450.

On the completion of the two new ships to be constructed and the scrapping of the "Thunderer," "King George V," "Ajax" and "Centurion," as provided in Article II, the total tonnage to be retained by the British Empire will be 562,950 tons.

SHIPS which may be retained by France.

Name.	Tonnage (metric tons).	Name.	Tonnage (metric tons).
Bretagne	23,500	Jean Bart	23,500
Lorraine	23,500	Courbet	23,500
Provence	23,500	Condorcet	18,890
Paris	23,500	Diderot	18,890
France	23,500	Voltaire	18,890

Total tonnage, 221,170.

France may lay down new tonnage in the years 1927, 1929 and 1931, as provided in Part 3, Section II

SHIPS which may be retained by Italy.

Name.	Tonnage (metric tons)	Name.	Tonnage (metric tons).
Andrea Doria	22,700	Dante Alighieri	19,500
Caio Duilio	22,700	Roma	12,600
Conte di Cavour	22,500	Napoli	12,600
Giulio Cesare	22,500	Vittorio Emanuele	12,600
Leonardo da Vinci	22,500	Regina Elena	12,600

Total tonnage, 182,800

Italy may lay down new tonnage in the years 1927, 1929 and 1931, as provided in Part 3, Section II

SHIPS which may be retained by Japan.

Name.	Tonnage.	Name.	Tonnage.
Mutsu	33,800	Fu-so	30,600
Nagato	33,800	Kirishima	27,500
Hiuga	31,260	Haruna	27,500
Ise	31,260	Hiyei	27,500
Yamashiro	30,600	Kongo	27,500

Total tonnage, 301,320.

PART 2.—*Rules for Scrapping Vessels of War.*

The following rules shall be observed for the scrapping of vessels of war which are to be disposed of in accordance with Articles II and III in Chapter I.—

I. A vessel to be scrapped must be placed in such condition that it cannot be put to combatant use.

II This result must be finally effected in one or other of the following ways:—

- (a.) Permanent sinking of the vessel.
- (b.) Breaking the vessel up. This shall always involve the destruction or removal of all machinery, boilers, and armour, and all deck, side and bottom plating.
- (c.) Converting the vessel to target use exclusively. In such case all the provisions of paragraph III of this Part, except sub-paragraph 6, in so far as may be necessary to enable the ship to be used as a mobile target, and except sub-paragraph 7, must be previously complied with. Not more than one capital ship may be retained for this purpose at one time by any of the Contracting Powers.
- (d.) Of the capital ships which would otherwise be scrapped under this Treaty in or after the year 1931, France and Italy may each retain two sea-going vessels for training purposes exclusively, that is, as gunnery or torpedo schools. The two vessels retained by France shall be of the "Jean Bart"

class, and of those retained by Italy one shall be the "Dante Alighieri," the other of the "Giulio Cesare" class. On retaining these ships for the purpose above stated, France and Italy respectively undertake to remove and destroy their conning-towers, and not to use the said ships as vessels of war.

III—(a.) Subject to the special exceptions contained in Article IX, when a vessel is due for scrapping, the first stage of scrapping, which consists in rendering a ship incapable of further warlike service, shall be immediately undertaken.

(b) A vessel shall be considered incapable of further warlike service when there shall have been removed and landed, or else destroyed in the ship—

1. All guns and essential portions of guns, fire-control tops and revolving parts of all barbets and turrets.
2. All machinery for working hydraulic or electric mountings
3. All fire-control instruments and rangefinders.
4. All ammunition explosives and mines.
5. All torpedoes, warheads and torpedo tubes.
6. All wireless telegraphy installations.
7. The conning tower and all side armour, or, alternatively, all main propelling machinery.
8. All landing and flying-off platforms and all other aviation accessories.

IV The periods in which scrapping of vessels is to be effected are as follows :—

(a.) In the case of vessels to be scrapped under the first paragraph of Article II of the present Treaty, the work of rendering vessels incapable of further warlike service, in accordance with paragraph III of this Part, shall be completed within six months from the coming into force of the Treaty, and the scrapping shall be finally effected within eighteen months from such coming into force.

(b.) In the case of vessels to be scrapped under the second and third paragraphs of Article II in Chapter I, or under Article III, the work of rendering the vessel incapable of further warlike service, in accordance with paragraph III of this Part, shall be commenced not later than the date of completion of its successor, and shall be finished within six months from the date of such completion. The vessel shall be finally scrapped, in accordance with paragraph II of this Part, within eighteen months from the date of completion of its successor

PART 3.—*Replacement*

The replacement of capital ships and aircraft carriers shall take place according to the rules in Section I and the tables in Section II of this Part.

Section I.—*Rules for Replacement*

(a.) The tonnage limits for capital-ship replacement shall be :—

United States, 525,000 tons (533,400 metric tons) standard displacement
 British Empire, 525,000 tons (533,400 metric tons) standard displacement.
 France, 175,000 tons (177,800 metric tons) standard displacement
 Italy, 175,000 tons (177,800 metric tons) standard displacement.
 Japan, 315,000 tons (320,040 metric tons) standard displacement

(b.) The tonnage limits for aircraft-carrier replacement shall be :—

United States, 135,000 tons (137,160 metric tons) standard displacement.
 British Empire, 135,000 tons (137,160 metric tons) standard displacement.
 France, 60,000 tons (60,960 metric tons) standard displacement.
 Italy, 60,000 tons (60,960 metric tons) standard displacement.
 Japan, 81,000 tons (82,295 metric tons) standard displacement.

(c) Capital ships and aircraft carriers twenty years after the date of their completion may, except as otherwise provided in the tables in Section II of this Part, be replaced by new construction, but within the limits prescribed in paragraphs (a) and (b) of this Section. The keels of such new construction may, except as otherwise provided in the tables in Section II of this Part, be laid down not earlier than

seventeen years from the date of completion of the tonnage to be replaced, provided, however, that no capital-ship tonnage, with the exception of the ships referred to in the third paragraph of Article II in Chapter I, and the replacement tonnage specifically mentioned in Section II of this Part, shall be laid down until ten years from the date of the coming into force of the present Treaty.

(*d.*) The scrapping of capital ships and aircraft carriers replaced by new construction shall be undertaken in conformity with the rules laid down in Part 2 of this Chapter, but if the date of completion of new construction be delayed, then the scrapping of old construction shall begin within four years of the laying of the keels of such new construction

(*e.*) Each of the Contracting Powers shall communicate promptly to each of the other Contracting Powers the following information :—

- 1 The names of the capital ships or aircraft carriers to be replaced by new construction.
- 2 The date of governmental authorisation of replacement tonnage.
3. The date of laying the keels of replacement tonnage.
4. The standard displacement in tons and metric tons of each new ship to be laid down, and the principal dimensions, namely, length at waterline, extreme beam at or below waterline, mean draft at standard displacement.
5. The date of completion of each new ship and its standard displacement tonnage in tons and metric tons, and the principal dimensions, namely, length at waterline, extreme beam at or below waterline, mean draft at standard displacement, at time of completion.

(*f.*) In case of loss or accidental destruction of capital ships or aircraft carriers, they may immediately be replaced by new construction, subject to the tonnage limits prescribed in Articles IV and VII and in conformity with the other provisions of this Treaty, the regular replacement programme being deemed to be advanced to that extent.

(*g.*) No retained capital ships or aircraft carriers shall be reconstructed except for the purpose of providing means of defence against air and submarine attack, and subject to the following rules : The Contracting Powers may, for that purpose, equip existing tonnage with bulge or blister or anti-air attack deck protection, provided the increase of displacement thus effected does not exceed 3,000 tons (3,048 metric tons) displacement for each ship. No alterations in side armour, in calibre, number or general type of mounting of main armament shall be permitted, except (*a*) in the case of France and Italy, which countries within the limits allowed for bulge may increase their armour protection and the calibre of the guns now carried on their existing capital ships so as not to exceed 16 inches (406 millimetres), and (*b*) the British Empire shall be permitted to complete, in the case of the "Renown," the alterations to armour that have already been commenced but temporarily suspended.

Section II.—*Replacement and Scrapping of Capital Ships.*

UNITED STATES.

Year.	Ships Laid Down.	Ships Completed.	Ships Scrapped (Age in Brackets).	Ships Retained. Summary.	
				Pre Jutland.	Post Jutland.
1921	..	..	Maine (20), Missouri (20), Virginia (17), Nebraska (17), Georgia (17), New Jersey (17), Rhode Island (17), Connecticut (17), Louisiana (17), Vermont (16), Kansas (16), Minnesota (16), New Hampshire (15), South Carolina (13), Michigan (13), Washington (0), South Dakota (0), Indiana (0), Montana (0), North Carolina (0), Iowa (0), Massachusetts (0), Lexington (0), Constitution (0), Constellation (0), Saratoga (0), Ranger (0), United States (0)	17	1
1922	..	A.B *	Delaware (12), North Dakota (12)	15	5
1923	..	..	.. ..	15	3
1924	..	..	.. ..	15	3
1925	..	..	.. ..	15	3
1926	..	..	.. ..	15	3
1927	..	..	.. ..	15	3
1928	..	..	.. ..	15	3
1929	..	..	.. ..	15	3
1930	..	..	.. ..	15	3
1931	C.D.	..	.. ..	15	3
1932	E.F.	..	.. ..	15	3
1933	G.	..	.. ..	15	3
1934	H.I.	C.D.	Florida (23), Utah (23), Wyoming (22)	12	5
1935	J.	E.F.	Arkansas (23), Texas (21), New York (21)	9	7
1936	K.L.	G.	Nevada (20), Oklahoma (20)	7	8
1937	M.	H.I.	Arizona (21), Pennsylvania (21)	5	10
1938	N.O.	J.	Mississippi (21)	4	11
1939	P.Q.	K.L.	New Mexico (21), Idaho (20)	2	13
1940	..	M.	Tennessee (20)	1	14
1941	..	N.O.	California (20) Maryland (20)	..	15
1942	..	P.Q.	2 ships West Virginia Class	..	15

* 2 West Virginia Class.

NOTE.—A., B., C., D., &c., represent individual capital ships of 35,000 tons standard displacement, laid down and completed in the years specified.

BRITISH EMPIRE.

Year.	Ships Laid Down.	Ships Completed.	Ships Scrapped (Age in Brackets).	Ships Retained. Summary.	
				Pre Jutland.	Post Jutland.
1921	..	..	Commonwealth (16), Agamemnon (13), Dreadnought (15), Bellerophon (12), Collingwood (11), St. Vincent (11), Inflexible (13), Superb (12), Neptune (10), Hercules (10), Indomitable (13), Temeraire (12), Colossus (10), New Zealand (9), Lion (9), Princess Royal (9), Conqueror (9), Monarch (9), Orion (9), Australia (8), Agincourt (7), Erin (7), 4 building or projected	21	1
1922	A.B.*	..	.. .. .. .	21	1
1923	..	..	.. .. .. .	21	1
1924	..	..	.. .. .. .	21	1
1925	..	A.B.	King George V (13), Ajax (12), Centurion (12), Thunderer (13)	17	3
1926	..	..	.. .. .. .	17	3
1927	..	..	.. .. .. .	17	3
1928	..	..	.. .. .. .	17	3
1929	..	..	.. .. .. .	17	3
1930	..	..	.. .. .. .	17	3
1931	C.D.	..	.. .. .. .	17	3
1932	E.F.	..	.. .. .. .	17	3
1933	G.	..	.. .. .. .	17	3
1934	H.I.	C.D.	Iron Duke (20), Marlborough (20), Emperor of India (20), Benbow (20)	13	5
1935	J.	E.F.	Tiger (21), Queen Elizabeth (20), Warspite (20), Barham (20)	9	7
1936	K.L.	G.	Malaya (20), Royal Sovereign (20)	7	8
1937	M.	H.I.	Revenge (21), Resolution (21)	5	10
1938	N.O.	J.	Royal Oak (22)	4	11
1939	P.Q.	K.L.	Valiant (23), Repulse (23)	2	13
1940	..	M.	Renown (24)	1	14
1941	..	N.O.	Ramilles (24), Hood (21)	..	15
1942	..	P.Q.	A (17), B (17)	..	15

* 2—35,000 ton ships standard displacement.

NOTE.—A., B., C., D., &c., represent individual capital ships of 35,000 tons standard displacement laid down and completed in the years specified.

FRANCE.

Year.	Ships Laid Down.	Ships Completed.	Ships Scrapped (Age in Brackets).	Ships Retained. Summary.	
				Pre Jutland.	Post Jutland.
1921	..	..	.. .. .. .	7	..
1922	..	..	.. .. .. .	7	..
1923	..	..	.. .. .. .	7	..
1924	..	..	.. .. .. .	7	..
1925	..	..	.. .. .. .	7	..
1926	..	..	.. .. .. .	7	..
1927	A.	..	.. .. .. .	7	..
1928	..	..	.. .. .. .	7	..
1929	B	..	.. .. .. .	7	..
1930	..	A.	J. Bart (17), Courbet (17)	5	..
1931	C.	..	.. .. .. .	5	..
1932	D.	B.	France (18)	4	..
1933	E.	..	.. .. .. .	4	..
1934	..	C.	Paris (20), Bretagne (20)	2	..
1935	..	D.	Provence (20)	1	..
1936	..	E.	Lorraine (20)	..	..
1937	..	..	.. .. .. .	..	..
1938	..	..	.. .. .. .	..	..
1939	..	..	.. .. .. .	..	..
1940	..	..	.. .. .. .	..	..
1941	..	..	.. .. .. .	..	..
1942	..	..	.. .. .. .	..	..

NOTE.—France expressly reserves the right of employing the capital ship tonnage allotment as she may consider advisable, subject solely to the limitations that the displacement of individual ships should not surpass 35,000 tons, and that the total capital ship tonnage should keep within the limits imposed by above table

ITALY.

Year.	Tonnage Laid Down.	Tonnage Completed.	Ships Scrapped (Age in Brackets).	Ships Retained Summary.	
				Pre Jutland.	Post Jutland.
1921	6	..
1922	6	..
1923	6	..
1924	6	..
1925	6	..
1926	6	..
1927	..	35,000	.. .. .. .	6	..
1928	6	..
1929	..	35,000	.. .. .. .	6	..
1930	6	..
1931	..	35,000	Dante Alighieri (19)	5	..
1932	..	45,000	..	5	..
1933	..	35,000	Leonardo da Vinci (19)	4	Within tonnage limitations: number not fixed.
1934	4	
1935	..	35,000	Giulio Cesare (21)	3	
1936	..	45,000	Duilio (21), Conte di Cavour (21)	1	
1937	..	25,000	Andrea Doria (21)	..	

NOTE.—Italy expressly reserves the right of employing the capital ship tonnage allotment as she may consider advisable, subject solely to the limitations that the displacement of individual ships should not surpass 35,000 tons, and the total capital ship tonnage should keep within the limits imposed by above table.

JAPAN.

Year.	Ships Laid Down.	Ships Completed.	Ships Scrapped (Age in Brackets).	Ships Retained Summary.	
				Pre Jutland.	Post Jutland.
1921	..	A (Mutsu)	Shikishima (22), Asahi (21), Hizen (20), Mikasa (20), Kashima (16), Katori (16), Satsuma (12), Akagi (11), Settsu (10), Ikoma (14), Ibuki (12), Kurama (11), Amagi (0), Akagi (0), Kaga (0), Tosa (0), Takao (0), Atago (0). Projected programme, eight ships not laid down	8	2
1922	8	2
1923	8	2
1924	8	2
1925	8	2
1926	8	2
1927	8	2
1928	8	2
1929	8	2
1930	8	2
1931	..	B.	.. .. .. .	8	2
1932	..	C.	.. .. .. .	8	2
1933	..	D.	.. .. .. .	8	2
1934	..	E.	.. .. .. .	7	3
1935	..	F.	Kongo (21)	5	4
1936	..	G.	Hiyei (21), Haruna (20)	4	5
1937	..	H.	Kirishima (21)	3	6
1938	..	I.	Fuso (22)	2	7
1939	..	J.	Yamashimo (21)	1	8
1940	Ise (22)	..	9
1941	Hyuga (22)	..	9
1942	Nagato (21)	..	9
	Mutsu (21)	..	9

NOTE.—A, B, C, D, &c., represent individual capital ships of 35,000 tons standard displacement, laid down and completed in the years specified.

NOTE.

The order above prescribed in which ships are to be scrapped is in accordance with their age. It is understood that when replacement begins according to the above tables the order of scrapping in the case of the ships of each of the Contracting Powers may be varied at its option; provided, however, that such Power shall scrap in each year the number of ships above stated.

PART 4.—*Definitions.*

For the purposes of the present Treaty, the following expressions are to be understood in the sense defined in this Part:—

Capital Ship.

A capital ship, in the case of ships hereafter built, is defined as a vessel of war, not an aircraft carrier, whose displacement exceeds 10,000 tons standard displacement (10,160 metric tons), or which carries a gun with a calibre exceeding 8 inches (203 millimetres).

Aircraft Carrier.

An aircraft carrier is defined as a vessel of war with a displacement in excess of 10,000 tons standard displacement (10,160 metric tons), especially designed for carrying aircraft and so constructed that aircraft can be launched from and landed thereon.

Standard Displacement.

The standard displacement of a ship is the displacement of the ship complete, fully manned, engaged and equipped ready for sea, including all armament and ammunition, equipment, outfit, provisions and fresh water for crew, miscellaneous stores and implements of every description that are intended to be carried in war, but without fuel or reserve feed water on board.

The word "ton" in the present Treaty, except in the expression "metric tons," shall be understood to mean the ton of 2,240 pounds (1,016 kilog.).

Vessels now completed shall retain their present ratings of displacement tonnage in accordance with their national system of measurement. However, a Power expressing displacement in metric tons shall be considered for the application of the present Treaty as owning only the equivalent displacement in tons of 2,240 pounds.

A vessel completed hereafter shall be rated at its displacement tonnage when in the standard condition defined herein.

CHAPTER III.

MISCELLANEOUS PROVISIONS.

ARTICLE XXI.

If during the term of the present Treaty the requirements of the national security of any Contracting Power in respect of naval defence are, in the opinion of that Power, materially affected by any change of circumstances, the Contracting Powers will, at the request of such Power, meet in Conference with a view to the reconsideration of the provisions of the Treaty and its amendment by mutual agreement.

In view of possible technical and scientific developments, the United States of America, after consultation with the other Contracting Powers, shall arrange for a Conference of all the Contracting Powers which shall convene as soon as possible after the expiration of eight years from the coming into force of the present Treaty to consider what changes, if any, in the Treaty may be necessary to meet such developments.

ARTICLE XXII.

Whenever any Contracting Power shall become engaged in a war which, in its opinion, affects the naval defence of its national security, such Power may, after notice to the other Contracting Powers, suspend for the period of hostilities its obligations under the present Treaty other than those under Articles XIII and XVII, provided that such Power shall notify the other Contracting Powers that the emergency is of such a character as to require such suspension.

The remaining Contracting Powers shall in such case consult together with a view to agreement as to what temporary modifications, if any, should be made in the Treaty as between themselves. Should such consultation not produce agreement, any one of said Contracting Powers may, by giving notice to the other Contracting

Powers, suspend for the period of hostilities its obligations under the present Treaty other than those under Articles XIII and XVII.

On the cessation of hostilities the Contracting Powers will meet in Conference to consider what modifications, if any, should be made in the provisions of the present Treaty.

ARTICLE XXIII.

The present Treaty shall remain in force until the 31st December, 1936, and, in case none of the Contracting Powers shall have given notice two years before that date of its intention to terminate the Treaty, it shall continue in force until the expiration of two years from the date on which notice of termination shall be given by one of the Contracting Powers, whereupon the Treaty shall terminate as regards all the Contracting Powers. Such notice shall be communicated in writing to the Government of the United States, which shall immediately transmit a certified copy of the notification to the other Powers and inform them of the date on which it was received. The notice shall be deemed to have been given and shall take effect on that date.

Within one year of the date of the receipt by the Government of the United States of a notice of termination by any Power, all the Contracting Powers shall meet in conference.

ARTICLE XXIV.

The present Treaty shall be ratified by the Contracting Powers in accordance with their respective constitutional methods and shall take effect on the date of the deposit of all the ratifications, which shall take place at Washington as soon as possible. The Government of the United States will transmit to the other Contracting Powers a certified copy of the *procès-verbal* of the deposit of ratifications.

The present Treaty, in English and in French, shall remain deposited in the archives of the Government of the United States, and duly certified copies thereof shall be transmitted by that Government to the other Contracting Powers.

In faith whereof the above-named Plenipotentiaries have signed the present Treaty.

Done at the City of Washington the day of , 1922.

APPENDIX 2.

DRAFT ARTICLE XIX.

The United States, the British Empire and Japan agree that the following provisions shall apply to their respective possessions lying between the Equator and the parallel of 30° North and between the meridians and 110° East and 180° East. No new naval bases or fortifications shall be established in the said possessions. With regard to existing naval bases and fortifications, the *status quo* shall be maintained, *i.e.*, no measures shall be taken to increase the existing facilities for the repair and maintenance of naval forces, nor shall any increase be made in the coast defences of the places concerned. This, however, does not preclude such repair and replacement of worn-out weapons and equipment as is customary in naval and military establishments in time of peace.

APPENDIX 3

BRITISH EMPIRE DELEGATION.

(Confidential.)

COMMITTEE ON AIRCRAFT.

(B.E.D.-154.)

Report on Limitation of Aircraft as to Numbers, Character and Use.

Form of Procedure.

1. In considering the limitation of aircraft as to numbers, character and use, the Committee on Aircraft adopted a form of procedure which took up the various

questions involved in the following order: (1) commercial aircraft; (2) civil aircraft; (3) military aircraft. Heavier-than-air and lighter-than-air craft were considered separately, since the conditions governing the two are not in all cases the same. An effort was made to determine whether or not it is possible to impose limitations upon their (1) number, (2) character, (3) use, and after discussion of the methods that might be employed to effect such limitation, whether limitation was practicable or not. This Committee feels that the desirability of placing any limitations whatever upon aircraft is a matter of policy, one which it is for the Main Committee itself to determine. Nevertheless, it feels it to be a duty to point out the essential facts, which will have a decided bearing upon the determination of the proper policy to be adopted, and this is done in this report.

Commercial Aircraft.

2 Different methods of imposing such limitation may be adopted by different States. The precise methods adopted by any State must be in conformity with its organic law. In some States it may be possible to impose an arbitrary limitation; in others, by the exercise of the police power, or of the power to tax, a practical limitation may be enforced. In the United States, where laws passed by the Congress must conform to the written Constitution of the country, there may be some difficulty in finding an effective means of imposing this limitation, but nevertheless, it is believed that, if necessary, such means can be found.

3. Before discussing any other phase of the matter, it will be well to consider carefully the effects which would follow the imposition of the limitation upon the numbers and character of commercial aircraft which may be owned and operated by the nationals of a State. In the first place, if commercial aeronautics is allowed to follow the natural laws which have governed the development of all other means of transportation and communication, the number and character of such aircraft will probably depend on financial considerations. That is, commercial aeronautics as a business will not thrive unless the operation of the aircraft will return a substantial profit. The State may interfere with the operation of these natural laws by granting to the owners and operators of such aircraft a direct or indirect subsidy. By so doing, enterprises which would not otherwise be financially successful may be enabled to live, and in this way the number of aircraft used for commercial purposes will be greater than if the natural laws of development had been allowed to take their course.

It is not easy to foresee what consequences to human progress will come in the future from the development of aeronautics in all its branches. They will certainly be marvellous where natural conditions are favourable to such development. To try to limit them now, with arbitrary laws, even if these laws have the purpose of preventing war, would be, in the opinion of this Committee, disastrous from the point of view of world progress.

4. If, among commercial aircraft, we class those owned and operated for sport or pleasure or convenience, the numbers of those will depend largely upon the wealth of the nation, upon the inclination of the people toward aeronautics, upon the cost of the aircraft thus employed.

5. The development of aircraft has presented the world with a new and improved means of transportation and communication. One of the causes of warfare in the past has been a lack of the proper distribution of the world's resources in raw material, food products, and the like. Another potent cause of war has been the lack of understanding between races, peoples and nations. Any addition to the transportation and communication facilities of the world should operate to improve the distribution of resources and likewise to lessen the causes of misunderstandings between peoples, and thus lessen the causes of warfare. Any limitation, therefore, placed upon commercial aeronautics would have the effect of limiting a means of transportation and communication between the different parts of the same State and between different States. It seems inconceivable that any limitation should be imposed upon commercial aeronautics unless it were with the avowed object of thereby limiting the air-power of a State and thus decreasing the liability of war. Commercial aeronautics, with its attendant development of an aeronautical industry and a personnel skilled in the manufacture, operation, and the maintenance of aircraft does furnish a basis of air-power. The development of commercial aeronautics and the development of a nation's air-power are inseparable.

Speaking broadly, all aircraft will be of some military value, no matter what restrictions may be placed upon their character. Some can probably be converted with but few changes into military aircraft; others can be designed so that, with major or minor alterations, or even with none at all, they can be employed for military purposes. As a matter of fact, the uses of aircraft in war are many. During the world war highly-specialised types were designed for special uses. Military aircraft have likewise been developed to a degree of perfection not yet reached in commercial aircraft. It is quite reasonable to suppose that similar development will take place in commercial aircraft, that they, too, will be specially designed for the uses to be made of them, and that they may depart quite radically from the military types used in the world war.

In military aircraft as a rule a premium is placed upon performance. Consideration of initial cost, of cost of operation and of maintenance are largely disregarded. The safety and convenience of the operators and passengers are considered only as these affect their ability to perform their military duties. If, as seems evident, commercial aircraft must be specially designed for the service they are to perform in order to have a chance of being financially successful, any effort to provide for their conversion into military craft will introduce complications which will increase the cost of production and operation. This may itself automatically act as a limitation, for business enterprises will not be willing to have such conditions imposed unless they are compensated in some way for the extra cost.

Heavier-than-Air.

7. The war value of an aeroplane may be said to lie in a combination of two or more of the following characteristics.—

- (a.) Its suitability for offensive and defensive equipment
- (b.) Its radius of action.
- (c.) Its speed.
- (d.) Its carrying capacity
- (e.) The height it can attain.

It is not desired to go too deeply into technical matters in this report. The Committee wishes, however, to point out that the peace value of aircraft is at present intimately bound up with the general characteristics which make up the value of the airplane in war. The last four of the characteristics enumerated above are dependent upon the relation between the amount of fuel carried, the horse-power of the engine, the lifting surface and the total weight. The Committee is of the opinion that formulæ could be evolved defining the inter-relationship of these factors in such a way as to limit the war value of the machine built in conformity therewith. It is more difficult to ensure that war equipment shall not be mounted in a commercial aeroplane. In this matter the Committee is of the opinion that definite rules cannot be laid down.

Radius of action is of high commercial value. A reliable air service from Europe to America in, say, twenty-four hours, should prove a highly profitable undertaking. Again, in countries where there is perhaps the greatest scope for the development of airways, countries of great deserts for example, radius of action is essential. Speed is plainly the characteristic on which aircraft rely to gain advantage in their competition with other means of transportation. It is not yet comfort and security, but time saving that will tempt passengers, mails, and valuable cargoes from old established services. To limit speed is to stop progress, to throttle aviation in its infancy.

The power of carrying numbers of passengers or quantities of goods is of obvious commercial value, and even the attainment of considerable heights may eventually be a definite requirement. As a matter of fact, the success of recent experiments indicates that, with special means of super-charging motors, navigation of the air will in the future utilise high regions of the atmosphere to take advantage of a less resistance of the air and of favourable high velocity winds.

The factors which comprise "military" performance have therefore a high commercial value, and it is the opinion of this Committee that any limitation of the character of civil and commercial aircraft must hinder the natural development of aviation: it is probable that restriction as to character will have in fact an even more adverse reaction on the progress of aviation than would be caused by a restriction on numbers.

Method of Limitation.

8. Aircraft can be limited as to number and character by an agreement arbitrarily fixing a maximum number for each nation that will not be exceeded, and by imposing technical restrictions in such a way as to limit performance.

9. The difference in organic law as between nations will probably prevent a single system of limitation being of universal application. Moreover, the rules of formulæ whereby alone the character of civil and commercial aircraft can be limited must be detailed and stringent. At the same time, they will be easy to evade, and infringement will not be obvious to the casual glance. Measurements of horse-power, supporting surface, fuel capacity, and weight will be necessary if security against evasion is to be ensured by any other means than by trusting to the good faith of the Contracting Parties. No State could consent to having the nationals of another Power continually inspecting all of its manufacturing plants in order to ascertain whether the limitation it imposed was being enforced.

All these points received the closest of consideration with reference to the limitation of Germany's air-power, and the matter is so complicated that the final drafting of the technical rules has not been completed. But taking rules as drafted, and even assuming continuous inspection of a most stringent character, it appears that there are still loopholes for evasion. No rules can prevent aircraft being designed *in peace* to permit of the ready instalment of larger tanks in war; engines can be made interchangeable enabling one of higher power to be rapidly installed, even carrying-surface can be increased by the standardisation and interchangeability of wings and other methods, and it is not impossible to conceive of civil and commercial aircraft being designed with a view to ultimate war requirements.

10. For the above reason, the Committee is agreed that in the present stage of development of aviation a universal limitation by formulæ of the character of commercial aircraft is impracticable.

Question of Subsidy.

11. Without expressing an opinion as to the desirability of abolishing subsidies for the encouragement of commercial aviation, the Committee points out that such subsidies, direct or indirect, can have a great influence on the character and number of commercial aircraft in relation to their war value. In fact, subsidies will tend to decrease the natural divergence between military and commercial aircraft and render the latter more easily adaptable to war uses. It is necessary, however, to add that indirect subsidies or other encouragement are most difficult to prevent, and even when acting in good faith Governments of different nations will place different interpretations on such encouragement.

The question of whether subsidies are granted or not will have great bearing upon development of commercial aircraft in general, and will affect the future welfare of the nations. This question, therefore, cannot be determined from the point of view solely of the adaptability for war uses.

Civil Aircraft.

12. In this discussion a distinction is drawn between commercial aircraft and civil aircraft, the latter will comprise all aircraft operated by a State, except those which it operates in connection with its military enterprises.

Civil aircraft will, therefore, include any which are State-operated in the customs service, or transporting the mails, the exercise of its police powers, and the like. It is readily apparent that as aircraft operate in a medium where there are no physical barriers, they can compete in some measure with every means of transportation used on land or water. It is therefore possible for much of the transportation requirements of any State to be met by the operation of aircraft. Such aircraft manifestly are not dependent for their being upon their ability to be operated at a profit. The State will decide how best it may enforce its laws, exercise its police power, transport State-owned merchandise or mails, and the means used will be those which are most efficient and most economical from the standpoint of the State itself. The cheapest will not always be the best or the most satisfactory.

The number and the legitimate use of aircraft by any Government for such civil purposes will, therefore, be limited only by the estimate placed upon the service which they can render and by the consent of the people to raising by taxation the amount of money which must be employed for their acquirement, operation and maintenance.

13. If the civil agencies of a State use aircraft for police or other purposes that are essentially military in character, this class of civil aircraft should be discussed under the limitation of military aircraft.

14. The number and character of such civil aircraft can be limited only by an arbitrary agreement among the States

15. It would, again, be utterly impracticable to set up any agency acting under authority other than that of a nation itself to regulate the number of civil aircraft owned and operated by the State

Lighter-than-Air Craft.

• Limitation of Number and Character.

16. The characteristics of lighter-than-air craft are such that limitation of number and character presents little technical or practical difficulty. It is a peculiarity of these craft that their efficiency is very intimately bound up in their size. Small dirigibles have a war value of their own, but it is limited and they cannot be considered as offensive weapons. For example, a small vessel of this kind cannot attain any considerable height while carrying a useful load, and even if filled with non-inflammable gas its vulnerability to gun fire at the heights it could reach preclude its being utilised for such purposes as aerial bombardment. Only in large sized dirigibles can a useful load be carried to a reasonable military height at a fair speed. Limitation of size is therefore sufficient to ensure that lighter-than-air craft should be incapable of offensive aerial action. Moreover the construction of large dirigibles requires large shed accommodation and cannot be kept secret; in this respect they resemble surface warships

17. It is, therefore, possible to regulate their numbers and size, by a simple system of international agreement and infringement of such agreement can be readily detected without a detailed system of control.

18. The Committee is agreed that the possibilities of war use for large dirigibles may still exist. Although in the later stages of the world war it appears as if the defence had the mastery over attack in lighter-than-air craft, the introduction of larger craft filled with non-inflammable gas and carrying their own protective aeroplanes may again permit bombardments being carried out by dirigibles

This Committee desires, however, to draw attention to the fact that dirigibles become increasingly efficient with increase of size. Any limit which is imposed on the size of commercial dirigibles must shut the door on the possibility of their development for legitimate civil enterprises.

Limitation of the Use of Aircraft.

19. The Committee is of the opinion that it would be useless to attempt to lay down a rule that civil and commercial aircraft should not be used in war, as they consider that no nation could deny itself the value for war purposes of their commercial machines provided that they are suitable for any warlike purposes. It is understood that when so used they will be manned by service personnel of the State and carry the proper distinguishing marks, and will in fact become war aircraft; their use does not therefore require discussion in this part of the Committee report.

20. The use of civil and commercial aircraft in peace is governed by the International Air Convention which amply safeguards a State's sovereignty in the air against abuse.

21. This Convention has already been ratified by Great Britain, France, Japan, Belgium, Greece, Portugal, Serb-Croat and Slovene State and Siam. It will at a very near date come into force for these various Powers and later for the other Signatory States and also non-Signatory Powers who desire to adhere to it.

22. The Committee is aware, however, that for certain reasons the United States has not yet announced its adherence to this Convention. The Committee, therefore, suggests, for the consideration of the Sub-Committee on Programme and Procedure, that a Convention covering the different phases of aerial navigation and based upon the one mentioned above, could be drawn up at this Conference to which the assent of all Powers represented could be given. The Committee further believes that this is most desirable.

SUMMARY OF CONCLUSIONS.

Civil and Commercial Aircraft.

23. This Committee understands that the purpose of this Conference is to promote peace and to remove the causes of warfare. It must be understood distinctly

that if the Conference decided to limit the development of commercial aircraft in order to retard the development of air-power, the immediate result will be the retarded development of means of transportation and communication which will itself, if unrestricted, largely act to bring about the same result, the removal of some of the causes of warfare

24. This Committee is unanimously of the opinion that in the present state of development of aeronautics there is a technical possibility of the limitation of numbers, character and use of civil and commercial aircraft with regard to their utilisation in war, they are, however, agreed that such limitation of numbers and especially of character is not practicable, except in the case of lighter-than-air craft of above a certain displacement.

25. As regards the desirability of limitation the Committee has touched on those factors which must be understood before arriving at a decision. It feels it to be a duty to lay great stress upon the following fact which will have a decided bearing upon any determination of the proper policy to be adopted: any limitation as to number and character of civil and commercial aircraft, heavier-than-air or lighter-than-air, which is efficacious to hinder their utility for war purposes, must interfere disastrously with the natural development of aeronautics for legitimate civil and commercial enterprises. To limit the science of aeronautics in its present stage is to shut the door on progress. It is for the Conference to decide whether the limitations which can with difficulty be devised and imposed are to be adopted at such a cost.

Military Aircraft.

Note.—In the part of the report which follows, the word “military” is used in its widest sense to denote “pertaining to the fighting services whether naval, military or air.”

Preliminary Remarks.

26. The Committee agreed that before entering upon a discussion of possible limitation of the numbers of military aircraft, it was desirable that the present relative air strength of the nations represented should be ascertained and tabulated in a simple form designed to facilitate comparison between them. The results of this investigation are tabulated in Appendices attached to this report. It is remarked that though these forms afford a guide to the relative military air strengths at the present day, it is impracticable to present a complete estimate of a nation's air-power since air-power is (as has been already shown) intimately bound up in factors other than the military establishment. Differences in organisation and administration of the various national aerial forces are a further obstacle to direct comparison in detail; these factors must not be forgotten when studying the statement presented and must be kept in the foreground of all discussions as to the possibility of limitation.

As to Number.

27. The limitation of the number of military aircraft presents from one point of view less difficulty than the similar problem in the case of commercial aircraft. It is obvious that if a limitation on the number of military aircraft is agreed upon between nations, it can be imposed by a State without that interference with the liberty of citizens which complicates the question of aircraft devoted to commercial pursuits. But when the details of such an agreement are considered, it will be found a matter of great difficulty to find a reasonable basis on which the allotment of relative strengths can be made. For example—

- (i.) The *status quo* cannot serve as a starting point, since the state of development of air services differs widely in the case of the various Powers (see Appendices), and in no case can these services be considered as complete.
- (ii.) The size of a nation's navy and army will influence the basis, in so far as aircraft are essential auxiliaries to those services.
- (iii.) National policy will differ as between nations; some nations, for example, will wish to have large air forces for coast defence, where others prefer to trust to older methods. Development on the lines of the substitution of air forces for other forms of force are likely to be considerable.
- (iv.) The potentialities of air forces in policing and garrisoning semi-civilised or uncivilised countries are as yet only partially realised. The number

of aircraft required for such duties will vary with the size and nature of the territories to be patrolled and with the value placed on their services by different nations.

- (v.) The geographical position and peculiarities of a State, the situation and strength of its possible enemies, and the nature of a possible attack must influence the number of aircraft it will desire to maintain.
- (vi.) Different terms of service for personnel will influence the effectiveness of air services and the size of the reserve.
- (vii.) The state of development or possibilities for civil aeronautics will have, as has been shown above, a direct bearing on the number of military aircraft which it may be desirable for a State to maintain.

The problem of finding a suitable ratio between the air forces of various Powers is thus at the present time almost insuperable

As to Character.

28. But even should it be possible to fix the ratio, such a limitation would be of little value without some limit as to the character of the aircraft. When the question of limitation of naval armaments was considered by the Conference it was found necessary to limit the displacement of individual ships as well as the total tonnage. In the absence of similar provision, the limitation of numbers of aircraft would only result in competitive building of aircraft of greater and greater power and size. The methods of limitation must therefore attempt to legislate for both number and character.

Heavier-than-Air.

Methods of Limitation.

29. The following methods may be employed :—

- 1st. The limitation of the number of military aircraft
- 2nd. The limitation of the amount of horse-power for military aircraft.
- 3rd. The limitation of the lift tonnage for military aircraft.
- 4th. The limitation of personnel for military aircraft.
- 5th. The limitation of military aircraft budgets

These five methods may be applied in combination or singly and are considered in detail below :—

30. Limitation of the number of aircraft is the most obvious method of limiting the strength of the aviation force, but in attempting to apply this method the question of size and type at once arises. It might be necessary to limit the maximum wing surface permitted to a single aircraft or it might be necessary to prescribe the number of aircraft in each of the type groups, such as combat planes, bombing planes, &c.; this question of definition of type presents great difficulty. In order to make an effective limitation of the numbers of military aircraft to be maintained in peace time by any nation, it will be necessary to have a detailed understanding on the following points :—

- (1.) On the number and types actually in use by organised aerial units.
- (2.) On the number and types held in reserve.
- (3.) On the number and type of engines held in reserve.
- (4.) On the replacement of planes crashed, worn out, or replaced by later models. In the case of obsolete and other planes that are replaced by other models it would be necessary to enter into an agreement regarding the disposal of planes so replaced. Otherwise it would be possible to build up an unlimited war reserve merely by classifying the planes so held as obsolete, or by converting them into civil or commercial planes.
- (5.) On the limitation of the adoption of new and more powerful types.

All these points will present great difficulty in an age when aircraft can become obsolete in a few months, and when their nature is such that war wastage may be as high as 200 per cent. *per month*.

31. The second method of limitation, limitation of horse-power, may apply to—

- (1.) Total horse-power in assembled planes.
- (2.) Total horse-power in assembled engines.
- (3.) Horse-power in a single individual plane of a given type.

This can only be based on the cubic capacity of the engines; there will be no guarantee that a nation has not discovered a secret which will enable greater horse-power to be got out of a limited capacity, nor is it reasonable to expect any nation to disclose such a secret. The more detailed the limitation the greater the administrative difficulty of enforcement, particularly under present conditions, when administrative methods are so widely different, and, as pointed out in the first part of the report, any enforcement, to be effectual, would entail such detailed inspection by a foreign commission as to be intolerable to any nation.

32. The third method of limitation, limitation of lift tonnage, may apply to—

- (1.) Total lift tonnage in assembled planes.
- (2.) Total lift tonnage in all planes assembled or not assembled.
- (3.) Lift tonnage of a single individual plane of a given type.

Any method must presumably be based on wing area and horse-power. It has been mentioned that the actual horse-power may be unknown, and it is likewise conceivable that a nation may discover a wing shape of extreme lifting efficiency and neglect to disclose the fact. Limitation of lift tonnage may therefore be wholly illusory, and the remarks as to inspection made in the last paragraph apply to this method also.

33. The fourth method of limitation, whether of the total of organised personnel for war aircraft, or only of pilots in the permanent military establishment, fails by reason of the difference in organisation between different States. A nation which has a separate air service has to include in its organised personnel, those employed in recruiting, supply, transport, administrative headquarters, &c. In the case of nations whose air forces are contained in their naval and military establishments, a fair comparison cannot therefore be made. Moreover, the difference in terms of service, long or short, voluntary service or conscription, must introduce incalculable factors which directly affect the efficiency of organised air forces and the size and efficiency of the reserve.

34. The fifth method of limitation, limitation by means of limiting the budget and thereby controlling the amount of money that may be expended annually for aviation, seems simple in theory, but it is difficult of application. The various methods of distributing budgets for material under different sub-heads make it impracticable to determine or compare the actual sums expended exclusively for aircraft, and the question is at present further complicated by the factor of the relative purchasing power of the currency of various nations.

35. Of the five methods of limitation, limitation by lift tonnage or horse-power appears to present the least objections, but to make these or any other methods effective, it would be necessary, as previously pointed out, to organise a system of international inspections. Any system of international inspection would be almost certain to arouse ill-feeling and would tend to cause friction rather than to ensure harmony and good feeling between friendly Powers.

Impracticability of Limitation of Number and Character.

36. Objections in detail to each suggested method of limitation have been advanced above—there is one insuperable objection which is common to every method, namely, the close relationship which at present exists between civil or commercial aeronautics and air-power. Unless civil and commercial aeronautics are strictly limited—and it has been shown in the early part of this report that it is not practicable to limit them—a nation desiring air-power in excess of the limit imposed or agreed to will develop its civil and commercial aeronautics to any extent desired.

Granted a flourishing aeronautical industry, the number of the present type of perishable military aeroplanes active on any given date is only one of the elements of air-power. During the war a single American firm contracted to deliver 100 aircraft a day, and the output of engines can be organised on a similar scale. A nation's air-power can thus be multiplied not only by the actual number of civil and commercial aircraft in use, but also by the capacity of the industry to turn to the manufacture of military aircraft in large quantities. Limitation of the number of horse-power and lift tonnage would under such conditions prove illusory. This commercial industry will further provide a great potential reserve of pilots and skilled technical personnel, and will thus discount to a great extent any limitation of numbers of the personnel of military aviation.

37. It is the opinion of this Committee that the limitation of military air-power (as regards heavier-than-air craft) is not practicable at the present time. Their reasons for this decision are as follows:—

- (i.) The difficulty of finding a basis for the proportion of aircraft to be allotted to the various nations.
- (ii.) The difficulty of devising technical methods to impose such limitation.
- (iii.) The difficulty of enforcing such methods.
- (iv.) The interdependence between air-power and a commercial aircraft industry which it is not practicable to limit.

Lighter-than-Air Craft.

38. Many of the remarks already made apply to lighter-than-air craft, but, as in the case of commercial aircraft of this nature, limitation is both possible and practicable. It is unnecessary to recapitulate the argument that the military value of a dirigible is dependent on its size, and the size of dirigibles and the number maintained can be limited by agreement of a few simple rules. Infraction of such rules can be rapidly ascertained without detailed inspection. But such a limitation of lighter-than-air aviation forces would not affect a limitation of this kind of air-power of a nation unless a limitation were also imposed on its lighter-than-air commercial activities. The line of demarcation between the large commercial airship and the military airship is very slight, and a commercial dirigible would require little, if any, alteration in order to adapt it to military purposes. The objections to the limitation of the number or character of commercial lighter-than-air craft have already been remarked on.

The Question of the Use of Military Aircraft.

39. It is necessary in the interests of humanity and to lessen the chances of international friction that the rules which should govern the use of aircraft in war should be codified and be made the subject of international agreement.

40. The matter has been considered by this Committee in connection with a draft code of "Rules for Aircraft in War" submitted for remarks by the Committee on the laws of war. The subject appears to the Committee to be one of extreme importance and one which raises far-reaching problems, legal, political, commercial and military; it requires, therefore, exhaustive discussion by a single Committee in which experts on all these issues are assembled.

The representatives of the United States and Japan on this Committee are prepared to discuss the rules submitted from a technical point of view, as provided for in the agenda under paragraph on limitation of new types of military arms, but the representatives of Great Britain, France and Italy are not so prepared. They state that the time between receipt of the agenda for the Conference and their date of sailing has not permitted that exhaustive discussion of the subject that would enable them to advance a national viewpoint on a matter which affects so many and varied interests. In some cases the national policy has not yet been determined.

41. This Committee recommends, therefore, that the question of the rules for aircraft in war be not considered at a Conference in which all the members are not prepared to discuss so large a subject, but that the matter be postponed to a further Conference which it is recommended be assembled for the purpose at a date and place to be agreed through diplomatic channels.

Summary of Conclusions arrived at by the Committee on Number, Character and Use of Aircraft.

42. The Committee are agreed that among the more important elements which influence the power that a nation may exert by means of aircraft are the following:—

- (1.) The adaptability of its people to aeronautics.
- (2.) Geographic location and characteristics of the territory occupied by the nation and its dependencies.
- (3.) The ability to produce and maintain aircraft and accessories.
- (4.) The amount and character of aeronautical activity outside the military establishment, such as commercial and civil aeronautical activities, and sport and pleasure flying.

- (5.) The size and efficiency of its air establishment for military purposes, consisting of: (a) the active establishment, including permanent headquarters, bureaux, squadrons, schools, technical establishments, depots or material and personnel, &c.; (b) the reserve establishment, including organised and unorganised reserve personnel and war reserve of material.

43.—(1.) The adaptability of a nation to aeronautics.

Interest of the general public in aeronautics seems to be inherent in some nations; in others, it is dormant or almost lacking. The confidence of a people in aeronautics in general is undoubtedly a factor worthy of serious consideration when estimating the air-power of that country. It is possible that a far-seeing Government may stimulate the interest of its general public in aeronautics by exhibitions, general educational measures, and by the encouragement in a financial way of individuals already interested, and thus increase the adaptability of its people to aeronautics.

44.—(2.) Geographic location and characteristics of the territory occupied by the nation and its dependencies.

This may be looked on as closely akin to (1). The physical characteristics of a country will have a considerable influence on the attitude taken by its inhabitants towards aviation. It is obvious that, while Government action may improve the natural characteristics of a country to a certain degree, by making aerodromes, &c., it is not possible for any limitation of such action to be made except by limiting the total amount spent by the nation on aviation, a method which has already been shown to be largely ineffective.

45.—(3.) The ability to produce and maintain aircraft and accessories.

The maximum aeronautical industry possible for a nation to build up under ideal conditions is determined by (1) the extent to which manufacturing in general is carried on; (2) by the character of articles manufactured; (3) by the manufacturing methods in general, that is, whether articles are manufactured by machinery or by hand; (4) the supply and availability of essential raw materials. In the manufacture of many articles the raw materials used and the manufacturing methods are similar to those employed in the manufacture of aircraft and accessories. The amount of this class of manufacturing carried on in any country is an essential factor in estimating the ability of a nation to produce aircraft.

The ability to expand an existing aeronautical industry rapidly enough to meet war conditions is one of the most important elements of air-power. This may be estimated by (1) the number of individuals skilled in the manufacture of aircraft and accessories; (2) the number of individuals whose training in industries similar to the aeronautical industry forms a basis for learning readily and rapidly the special problems encountered in the manufacture of aircraft and accessories; (3) the size and condition of the existing aeronautical industries and the size and number of manufacturing concerns that can readily be converted to the manufacture of aircraft and accessories, (4) the existence of a definite programme previously determined upon and the extent to which orders have been previously placed in anticipation of an emergency with a consequent perfection of plans; (5) the amount and state of availability of the essential raw materials; (6) the quantity of available jigs, tools, dies and production drawings for going into quantity production of standard equipment.

46.—(4) The amount and character of aeronautical activity outside the military establishment has been exhaustively discussed under the Limitation of Civil and Commercial Aircraft. It has been shown that this is intimately bound up with (1), (2) and (3) above, and that, with the exception of lighter-than-air craft of above a certain size, it is not practicable to limit it except perhaps by limiting the amount of subsidies to commercial aviation—a method which has been shown to be difficult of application and to be otherwise objectionable. It has also been shown that the limitation of lighter-than-air craft would have a disastrous effect on aviation.

47.—(5.) Existing establishment of aircraft used for military purposes and the reserve.

The size of the organised reserve will depend upon the size of the military establishment and the rate at which members of the military establishment are trained and returned to civil pursuits. Any reduction in the permanent peace-time

establishment will carry with it a consequent reduction in organised and trained reserves. There is, however, a type of personnel whose civil pursuits fit them for immediate service in the air establishment. This class is made up by those engaged in commercial and civil aeronautics and industrial pursuits which require the same trades and basic knowledge and experience as is required in the operation and maintenance of military aircraft. This class will not be seriously affected by any change in the military establishment.

48. Technical considerations have led the Committee to the conclusion that the limitation of the 5th element, namely, the size and efficiency of peace-time air establishments for military purposes (including the active establishment and the organised reserve), although theoretically possible, is not practicable. The Committee also desires to lay stress on the fact that, even if such limitation was practicable, it would not prevent the use of air-power in war, but would only operate to give greater comparative importance to the other elements of air-power which cannot be limited for the reasons given in the report.

FINAL CONCLUSION.

Number and Character.

The Committee is of the opinion that it is not practicable to impose any effective limitations upon the numbers or characteristics of aircraft, either commercial or military, excepting in the single case of lighter-than-air craft.

Use.

The Committee is of the opinion that the use of aircraft in war should be governed by the rules of warfare as adapted to aircraft by a further Conference which should be held at a later date.

Respectfully submitted by

COMMITTEE ON AIRCRAFT,

For the United States of America :

WILLIAM A. MOFFETT (*Chairman*),
Rear-Admiral, U.S.N.

MASON M. PATRICK,
Major-General, U.S.A.

For the British Empire :

J. F. A. HIGGINS,
Air-Vice-Marshal, R.A.F.

For France :

ALBERT ROPER, *Capitaine*,
Pilote Aviateur, French Army.

For Italy :

RICCARDO MOIZO,
Colonel, R.I.A.

For Japan :

OSAMI NAGANO,
Captain, R.J.N.

NOTE.

The Italian representative believes and desires to place on record that one way in which it would be possible to limit the air-power of a nation would be by placing a limit upon the number of pilots in the permanent military establishment, and consequently agrees with the general reasoning of the report in so far as it is not contrary to this opinion.

RICCARDO MOIZO,
Colonel, R.I.A.

UNITED STATES OF AMERICA (Authorised by Law).

Heavier-than-Air.

ACTIVE and Immediate Reserve Aircraft—Service Types.

TYPES OF PLANES.

Classification of Units in which Aircraft or Personnel are maintained.	Chasse (Pursuit or Combat).	Attack (Bombing or Torpedo).		Observations (Spotting, Photographing, Artillery Control, Infantry Contact Patrol).	Long Distance, Observation or Scouting.
		Day.	Night.		
Full-strength Squadrons—					
Home	164	146	64	75	..
Abroad	64	48	..	39	..
Cadre or other part-strength Squadrons—					
Home	10	..	..	114	14
Abroad .. .. .	..	..	..	12	2
Headquarters, Schools, Training Establishments—					
Home	138	124	16	187	12
Abroad .. .. .	..	..	..	..	..
Other State-owned Organisations—					
Home .. .. .	..	..	..	..	..
Abroad .. .. .	..	..	..	..	..
Total—					
Home	312	270	80	376	26
Abroad	64	48	..	51	2

Total planes 1,229

Personnel.

	Active.		
	Pilots.		Enlisted.
	Officers.	N.C.Os.	
Home	1,904	80	14,856
Abroad	369	..	2,306
Total	2,273	80	17,162

Duration of Service.

Country.	Method of Enlisting.	Pilots.		Non-flying Personnel.
		Officers.	N.C.Os.	
United States	Voluntary ..	Permanent..	1-4 years	1-4 years

Lighter-than-Air.

ACTIVE and Immediate Reserve Aircraft—Service Types.

	Rigids.	Semi- and Non-Rigids.	Balloons.
Active	1*	9	} As required.
Reserve .. .. .	..	..
Total	1	9	

* Not yet built.

Personnel.

	Active.		
	Pilots.		Enlisted.
	Officers.	N.C.Os.	
Home	207	20	2,912
Abroad	49	..	600
Total	256	20	3,512

"Home" for United States includes the following limits or provinces. The 48 States and one territory within the continental limits of North America.

"Abroad" for United States includes the following limits or provinces. Alaska, Hawaiian Islands, Philippines, Guam, Haiti, San Domingo, Panamá Canal Zone, St. Thomas, &c.

UNITED STATES OF AMERICA (Actual Strength on October 1, 1921)

Heavier-than-Air.

ACTIVE and Immediate Reserve Aircraft—Service Types.

TYPES OF PLANES.

Classification of Units in which Aircraft or Personnel are maintained.	Chasse (Pursuit or Combat).	Attack (Bombing or Torpedo)		Observation (Spotting, Photographing, Artillery Control, Infantry Contact Patrol).	Long Distance, Observation or Scouting.
		Day.	Night.		
Full Strength Squadrons—					
Home	29	32	.	35	..
Abroad	36	.	.	39	..
Cadre or other part-strength Squadrons—					
Home	48	..	..	90	17
Abroad .. .. .	..	..	..	12	5
Headquarters, Schools, Training Establishments—					
Home	7	56	18	97	9
Abroad .. .. .	.	..	.	7	..
Other State-owned Organisations—					
Home .. .. .	..	..	.	..	..
Abroad .. .. .	..	..	..	..	..
Total—					
Home	84	88	18	223	26
Abroad	36	..	..	51	..

Total Planes: 537.

Personnel.

	Active		
	Pilots.		Enlisted.
	Officers.	N.C.Os.	
Home	928	78	9,530
Abroad	115	3	1,870
Total	1,043	81	11,400

Duration of Service.

Country.	Method of Enlisting	Pilots.		Non-flying Personnel.
		Officers.	N.C.Os.	
United States	Voluntary	Permanent	1-4 years	1-4 years.

Lighter-than-Air.

ACTIVE and Immediate Reserve Aircraft—Service Types.

	Rigids.	Semi- and Non-Rigids.	Balloons.
Active		5	19
Reserve	8
Total		5	27

Personnel.

	Active.		
	Pilots.		Enlisted.
	Officers.	N.C.Os.	
Home	118	18	1,187
Abroad	8	1	457
Total	126	19	1,644

"Home" for United States, includes the following limits or provinces: The 48 States and one territory within the continental limits of North America.

"Abroad" for United States includes the following limits or provinces. Alaska, Hawaiian Islands, Philippines, Guam, Haiti, San Domingo, Panamá Canal Zone, St. Thomas, &c.

FORM (A)

GREAT BRITAIN (Authorised Strength).

Heavier-than-Air.

ACTIVE and Immediate Reserve Aircraft—Service Types.

TYPES OF PLANES.

Classification of Units in which Aircraft or Personnel are maintained.	Chasse (Pursuit or Combat).	Bombing and Torpedo.		Observation (Spotting, Photographing, Artillery Control, Infantry Contract Patrol).	Long Distance Observation or Scouting.
		Day.	Night.		
Full Strength Squadrons (A)*—					
Home	45	63	..	78	51
Abroad	48	184	40	168	46
Cadre or other part-strength Squadrons (B)†—					
Home .. ..	..	..	..	.	..
Abroad .. ..	..	..	..	.	..
Headquarters, Schools, Training Establishments—					
Home	24	104	18	140	41
Abroad .. ..	..	9	..	18	..
Other State-owned Organisations—					
Home .. ..	..	..	..	..	..
Abroad .. ..	..	..	..	..	..
Total—					
Home	69	167	18	218	92
Abroad	48	193	40	186	46

* (A.) Although the totals are correct, the numbers shown in each column are only approximate, as many of the aeroplanes employed by the Royal Air Force could be classified under more than one heading.

† (B.) The authorised strength of these units varies according to the immediate requirements of the service. The actual strength has therefore been given.

Personnel.

	Active.		
	—	—	—
Home
Abroad
Total	30 880 (C)*	..

Duration of Service.

Country.	Method of Enlisting.	Pilots.		Non-flying Personnel.
		Officers.	N.O.Os.	
France	Voluntary (D)†	..	..	..
Great Britain		(D)†	(D)†	(D)†
Japan .. .. .		..	..	..
Italy .. .. .		..	..	..
United States .. .. .		..	..	..

* (C.) This figure represents the maximum number of personnel up to which the Royal Air Force is authorised to mobilise without Parliamentary legislation.

† (D.) There is no period of service stipulated for Officers of the Royal Air Force, with the exception of a small percentage who serve on short service commissions for four years. N.O.Os. and men serve for varying periods, which range from five years with the colours and three on the reserve to twelve years with the colours.

FORM (A)

GREAT BRITAIN (Authorised Strength).

Lighter-than-Air.

ACTIVE and Immediate Reserve Aircraft—Service Types.

	Rigids.	Semi- and Non-Rigids.	Balloons.
Active
Reserve
Total

Personnel.

	Active.		
	Pilots.	Non-Flying.	Total.
Home
Abroad
Total

“Home” for Great Britain includes the following limits or provinces: British Isles and Ireland.

“Abroad” for Great Britain includes the following limits or provinces: India, Mesopotamia, Egypt and Mediterranean.

FORM (B).

GREAT BRITAIN (Actual Strength).

Heavier-than-Air.

ACTIVE and Immediate Reserve Aircraft—Service Types.

TYPES OF PLANES.

Classification of Units in which Aircraft or Personnel are maintained.	Chasse (Pursuit or Combat).	Bombing and Torpedo.		Observation (Spotting, Photographing, Artillery Control, Infantry Contact Patrol).	Long Distance, Observation or Scouting.
		Day.	Night.		
Full strength Squadrons (A)*—					
Home	45	52	..	69	52
Abroad	48	184	30	167	47 •
Cadre or other part-strength Squadrons—					
Home .. .. .	..	..	..	..	..
Abroad .. .. .	..	..	..	..	..
Headquarters, Schools, Training Establishments (B)*—					
Home	24	104	18	140	41
Abroad .. .. .	..	9	..	18	..
Other State-owned Organisations—					
Home .. .. .	..	..	..	..	..
Abroad .. .. .	..	..	..	..	..
Total—					
Home	69	156	18	209	93
Abroad	48	193	30	185	47

Personnel.

	Active.		
	Pilots.	Non-flying.	Total.
Home	1,734	20,254	21,988
Abroad	651	6,331	6,982
Total	2,385	26,585	28,970

Duration of Service.

Country.	Method of Enlisting.	Pilots.		Non-flying Personnel.
		Officers.	N.C.Os.	
France
Great Britain
Japan
Italy
United States

* NOTES.—Notes in Form "A" are equally applicable to this form, excepting note "C."

FORM (B).

GREAT BRITAIN (Actual Strength).

Lighter-than-Air.

ACTIVE and Immediate Reserve Aircraft—Service Types.

	Rigids	Semi- and Non-Rigids.	Balloons.
Active .. ..	..	..	..
Reserve	4 (E)*	..	..
Total .. ..			..

* (E.) These airships are awaiting disposal.

Personnel.

	Active		
	Pilots.	Non-Flying.	Total.
Home
Abroad
Total

FRANCE : EFFECTIFS THÉORIQUES.

Plus lourds que l'Air (Armée, Marine, Colonies).

APPAREILS en Service et en Réserve immédiate—Types en Service.

MATÉRIEL.

(Intérieur : France. Extérieur : Armée du Rhin, Algérie, Tunisie, Maroc, Levant, Constantinople et Colonies.)

Classification des Unités.	Chasse.	Bombardement de jour.	Bombardement de nuit	Observation.
Escadrilles :				
Intérieur ..	445	172	210	454
Extérieur ..	..	231	..	524
Cadres ou escadrilles réduits		Néant		
Quartiers généraux, écoles, centres d'entraînement* :				
Intérieur	28	10	18	36
Extérieur .. ..	..	8	..	24
Autres organisations appartenant à l'État		Néant		
Total :				
Intérieur ..	473	182	228	490
Extérieur ..	..	242	..	542

Total général : 2,163 avions ou hydravions

* Les pilotes sont brevetés pour la plupart dans des écoles civiles et entraînés ensuite dans les escadrilles.

Personnel.

En France .. ..	..	..	..	..	En activité.
Hors de France .. ..	..	..	..	..	25,800
					6,500
Total .. ..	..	..	..	..	32,300

[7768]

Durée du Service militaire.

Pays	Méthode de Recrutement.	Pilotes.		Personnel non manquant.
		Officiers.	Sous-officiers et hommes de troupe.	
États-Unis
Grande-Bretagne
France ..	Conscription (deux ans)	..	..	..
Italie
Japon

Plus légers que l'Air.

	Rigides.	Semi-rigides ou Non rigides.	Ballons.
En service ..	1	12	23
En réserve immédiate ..	1	3	60
Total ..	2	15	83

Personnel.

	Navigant.	Non navigant.	Total.
En France ..	(?)	(?)	3,700
Hors de France ..	(?)	(?)	500
Total ..	(?)	(?)	4,200

FRANCE : EFFECTIFS EXISTANTS.

Plus lourds que l'Air (Armée, Marine, Colonies).

APPAREILS en Service et en Réserve immédiate—Types en Service.

MATÉRIEL.

Intérieur : France. Extérieur : Armée du Rhin, Algérie, Tunisie, Maroc, Levant, Constantinople et Colonies.

Classification des Unités.	Chasse.	Bombardement de jour.	Bombardement de nuit.	Observation.
Escadrilles :				
Intérieur ..	282	111	150	325
Extérieur ..	..	232	..	522
Cadres ou escadrilles réduits			Néant	
Quartiers généraux, écoles, centres d'entraînement :*				
Intérieur ..	21	7	13	27
Extérieur ..	..	8	..	24
Autres organisations appartenant à l'État			Néant	
Total :				
Intérieur ..	303	118	163	352
Extérieur ..	..	240	..	546

Total général : 1,722 avions ou hydravions.

* Les pilotes sont brevetés pour la plupart dans des écoles civiles et entraînés ensuite dans les escadrilles.

Personnel.

En France ..	..	..	..	..	En activité.
Hors de France ..	..	..	..	..	21,900
					6.500
					28,400

Durée du Service militaire.

Pays.	Méthode de Recrutement.	Pilotes.		Personnel non manquant
		Officiers.	Sous-officiers et hommes de troupe.	
États-Unis
Grande-Bretagne
France
	Conscription (deux ans)	.. ..	.. ..	.. ..
Italie
Japon

Plus légers que l'Air.

	Rigides.	Semi-rigides ou Non rigides.	Ballons.
En service	1	12	23
En réserve immédiate	1	3	30
Total	2	15	53

Personnel.

	Naviguant.	Non naviguant	Total.
En France	(?)	(?)	3,200
Hors de France	(?)	(?)	500
Total	(?)	(?)	3,700

FORM (A)

ITALY (Authorised Strength)

Heavier-than-Air.

ACTIVE and Immediate Reserve Aircraft—Service Types.

TYPES OF PLANES.

Classification of Units in which Aircraft or Personnel are maintained.	Chasse (Pursuit or Combat).	Bombing and Torpedo.		Observation (Spotting, Photographing, Artillery Control, Infantry Contact Patrol).	Long Distance Observation or Scouting.
		Day.	Night.		
Full Strength Squadrons—					
Home	448	47	38	287	72
Abroad .. ..	.. ..	.. ..	4	36	.. ..
Cadre or other part-Strength Squadrons	.. ..	.. ..	.. ..	.. ..	.. ..
Headquarters, Schools, Training Establishments	188	22	19	79	42
Other State-owned Organisations..	.. ..	.. ..	.. ..	.. ..	.. ..
Total—					
Home	636	69	57	366	114
Abroad .. ..	.. ..	.. ..	4	79	.. ..

Personnel.

	Active.		Total.
	Pilots.	Non-flying.	
Home	*250	8,100	8,350
Abroad	*30	440	470
Total	980	8,440	3,420

* Approximately two-thirds of pilots are officers.

Duration of Service.

Country.	Method of Enlisting.	Pilots.		Non-flying Personnel.
		Officers.	S.C.Os.	
Italy	Voluntary and compulsory	Not definite		8 months and more.

Lighter-than-Air.

ACTIVE and Immediate Reserve Aircraft—Service Types.

	Rigids.	Semi- and Non-Rigids.	Balloons.
Active	*	*2	10
Reserve	4
Total	2	14

* Not fixed whether rigid or semi-rigid

Personnel.

	Active.		Total.
	Pilots.	Non-flying.	
Home
Abroad
Total

FORM (B).

ITALY (Actual Strength on October 1, 1921).

Heavier-than-Air.

ACTIVE and Immediate Reserve Aircraft—Service Types.

TYPES OF PLANES.

Classification of Units in which Aircraft or Personnel are maintained.	Chase (Pursuit or Combat).	Bombing and Torpedo.		Observation (Spotting, Photographing, Artillery Control, Infantry Contact Patrol)	Long Distance, Observation or Scouting.
		Day.	Night.		
Full-strength Squadrons—					
Home	170	13	20	130	40
Abroad .. .. .	..	..	4	36	..
Cadre or other part-strength Squadrons .. .. .	..	..	..	..	..
Headquarters, Schools Training Establishments	37	6	4	20	8
Other State-owned Organisations .. .. .	..	..	..	..	..
Total—					
Home	207	25	24	150	48
Abroad .. .. .	..	..	4	36	..

Personnel.

	Active.		
	Pilots.	Non-flying.	Total.
Home	450	5,525	5,975
Abroad	30	325	355
Total	480	5,850	6,330

Duration of Service.

Country.	Method of Enlisting.	Pilots.		Non-flying.
		Officers.	N.C.Os	
Italy	Voluntary and Compulsory	Permanent		More than 8 months.

Lighter-than-Air.

ACTIVE and Immediate Reserve Aircraft—Service Types.

	Rigids.	Semi- and Non-Rigids.	Balloons.
Active	1	1	6
Reserve		1	6
Total	1	2	12

Personnel.

	Active.		
	Pilots.	Non-flying.	Total
Home	43	1,500	1,543

JAPAN (Authorised).

Heavier-than-Air.

ACTIVE and Immediate Reserve Aircraft—Service Types.

TYPES OF PLANES.

Classification of Units in which Aircraft or Personnel are maintained.	Chasse (Pursuit or Combat).	Bombing and Torpedo.		Observation (Spotting, Photographing, Artillery Control, Infantry Contact Patrol).	Long Distance Observation or Scouting.
		Day	Night		
Full strength Squadrons —					
Home	144	16	.	400	..
Abroad .. ..	..	.	..	.	..
Cadre or other part-strength Squadrons—					
Home .. ..	.	.	..	.	.
Abroad .. ..	..	.	.	.	.
Headquarters, Schools Training Establishments—					
Home	196	25	45	275	..
Abroad .. ..	.	.	.	.	..
Other State-owned Organisations—					
Home .. ..	.	..	..	..	..
Abroad .. ..	.	.	..	.	..
Total—					
Home	340	41	45	675	..
Abroad .. ..	..	.	.	..	..

Personnel.

	Active.		
	Pilots.	Non-flying.	Total.
Home	500	4,488	4,988
Abroad .. ..	..	..	..
Total	500	4,488	4,988

Duration of Service.

Country.	Method of Enlisting.	Pilots.		Non-Flying Personnel.
		Officers.	N.C.Os.	
Japan	Voluntary and compulsory	No definite duration	More than 1 year	More than 1 year

Lighter-than-Air.

ACTIVE and Immediate Reserve Aircraft—Service Types.

	Rigids.	Semi- and Non-Rigids.	Balloons.
Active	3	7
Reserve	1	3
Total	4	10

Personnel.

	Active		
	Pilots.	Non-flying.	Total.
Home	28	406	434
Abroad .. ..	..	..	..
Total	28	406	434

"Home" for () includes the following limits or provinces.
 "Abroad" for () includes the following limits or provinces.

JAPAN (Actual Strength on October 1, 1921).

Heavier-than-Air.

ACTIVE and Immediate Reserve Aircraft—Service Types.

TYPES OF PLANES.

Classification of Units in which Aircraft or Personnel are maintained.	Classes (Pursuit or Combat).	Bombing and Torpedo.		Observation (Spotting, Photographing, Artillery Control, Infantry Contact Patrol).	Long Distance, Observation or Scouting.
		Day.	Night.		
Full-strength Squadrons—					
Home	63	..	..	..	..
Abroad .. ..	..	..	..	132	..
Cadre or other part-strength Squadrons—					
Home .. ..	..	..	..	..	..
Abroad .. ..	..	..	..	..	..
Headquarters, Schools, Training Establishments—					
Home .. ..	..	..	..	..	..
Abroad	132	18	30	162	..
Other State-owned Organisations—					
Home .. ..	..	..	..	..	..
Abroad .. ..	..	..	..	..	..
Total—					
Home	195	18	30	294	..
Abroad .. ..	..	..	..	..	..

Personnel.

				Active.		
				Pilots	Non-flying.	Total.
Home ..	..	..		275	2,502	2,777
Abroad ..	..	..		..	..	..
Total	..	..		275	2,502	2,777

Duration of Service.

Country.	Method of Enlisting.	Pilots.		Non-flying Personnel.
		Officers.	N.C.Os.	
Japan ..	.. Voluntary and compulsory	No definite duration	More than 1 year	More than 1 year

Lighter-than-Air.

ACTIVE and Immediate Reserve Aircraft—Service Types.

				Rigids.	Semi- and Non-Rigids.	Balloons.
Active	1	7
Reserve		3
Total	1	10

Personnel.

				Active.		
				Pilots.	Non-flying.	Total.
Home ..	..	.		18	260	278
Abroad ..	..	.				..
Total ..	..	..		18	260	278

“Home” for () includes the following provinces.
 “Abroad” for () includes the following provinces.

SECRET.

W.D.C.-184.

71

CABINET.

WASHINGTON CONFERENCE ON LIMITATION OF ARMAMENT.

*Copy of Despatch (No. 17) from Mr Balfour to the Prime Minister, dated
January 20, 1922*

(Previous Papers, Nos W.D.C. 13, 14, 24, 47, 62, 63, 71, 95, 96, 116, 117, 123, 157,
158, 159 and 183.)

Sir,

Washington, January 20, 1922

SINCE my despatch No. 13* of the 13th January last, there has been a welcome acceleration of the business of the Committee on Pacific and Far Eastern Affairs.

2. All matters of importance have already been reported by telegram, but some record of the course of events at greater length may be of service

3. The work of the Committee has been confined almost entirely to the economic aspect of the Far Eastern Question. Such matters as the Tariff Revision, the "Open Door," and Railway Development have been brought up and disposed of in a manner which I trust may be regarded as on the whole satisfactory.

4. As regards the tariff, you are already aware of the negotiations preceding the introduction before the Main Committee of a Resolution prepared by the Committee on Draft. That Resolution, having received the approval of the Main Committee, was referred back on the 5th January to the Drafting Committee in order to be recast in such a manner as to separate immediate revision to an effective 5 per cent. (to which China is at once entitled) from ultimate revision to a 7½ per cent. basis which, as you are aware, is to form the subject of the labours of the Special Conference to be called in China within three months. Two Resolutions were accordingly prepared by the Drafting Committee and finally approved by the Main Committee on the 16th January. Copies are enclosed (Enclosures Nos. 1 and 2).

5. As to the "Open Door," the first move in this matter was made by Mr. Hughes in a Resolution which he introduced on the 16th January (Enclosure No. 3). It was on this draft that Sir A. Geddes and I suggested the desirability, if anything effective on the lines of the Resolution were to be adopted by the Conference, of establishing some body in the nature of a Board of Appeal before whom cases could be laid involving an alleged infraction of the principle of the "Open Door," whether owing to monopolistic taint or other causes. This suggestion having met with some degree of support, the matter was deferred for further discussion the following day.

6. Accordingly, on the 17th January a fresh draft incorporating our ideas (and which had in point of fact been prepared by Sir H. Llewellyn Smith in full consultation with Mr. MacMurray of the State Department after the debate of the day before) was introduced by Mr. Hughes. This draft Resolution consisted of four paragraphs (Enclosure No. 4 to this despatch), and was received with marked approval by the Committee with the exception of paragraph 4. This paragraph met with determined opposition from the French Delegation who seemed nervous lest the adoption of any provision contemplating the inclusion within its scope of existing concessions might in practice lead to the challenging of *bonâ fide* existing rights. The Japanese, for their part, were ready to accept the paragraph, but only in so emasculated a form as to render it a hindrance rather than a help. In these circumstances Sir R. Borden suggested the elimination of the paragraph, which was at once agreed to, the Chinese Delegation reserving the right to revive it at a later date or in another form should

* W.D.C.-157.

they consider the moment opportune. The text of the Resolution as finally passed by the Committee forms Enclosure No. 5 to this despatch.

7. In order that there should be no possibility of ambiguity with regard to the existing Financial Consortium or future international combinations of a similar nature, Sir A. Geddes made a formal statement (Enclosure No. 6) covering them so long as they do not involve a monopoly or an infringement of the principles just recognised by the Conference. Formal note of this statement, which passed unchallenged, was made in the official minutes of the meeting.

8. Having thus disposed of the tariff and the "Open Door," the Committee turned its attention to the question of railways. Having learnt from Mr. Hughes that this subject would be brought up on the 19th January, by the American Delegation, who would then move a short Resolution in very general terms relating to the desirability of giving every encouragement to railway development in China, the British Empire Delegation tabled a Resolution of which the text as originally drafted is enclosed (Enclosure No. 7). This Resolution aimed at a declaration by China and by all the other Powers represented at the Conference against any form of discrimination whatever on any railway in China, and laid down that any such discrimination might be referred to the Board of Reference provided for in the Resolution on the "Open Door," passed on the 18th January (see Enclosure No. 5). This Resolution was passed without any difficulty, Baron Shidehara, of the Japanese Delegation, making the specific statement that on behalf of his colleagues he cordially supported it as being entirely in accordance with the principle of the "Open Door."

9. The meeting then turned to the consideration of the American Resolution respecting railway development in China (Enclosure No. 8). The Resolution was introduced by Mr. Hughes with a few words of explanation, and drew from Mr. Sze, on behalf of the Chinese Delegation, a declaration that China was anxious to proceed as rapidly as possible with the economic and industrial development of her country. It was the intention of the Chinese Government to obtain foreign financial and technical assistance for the purpose so far as compatible with the principle of the "Open Door." The Resolution was then passed unanimously with one slight alteration consisting in the substitution of the word "assistance" for the word "co-operation" used in the draft (Enclosure No. 9).

10. Having disposed of these two important items on the Agenda, the Committee then turned to the complex and somewhat vague subject, "status of existing commitments in China." As you will recollect, it had never been very clearly understood by His Majesty's Government what precisely the American Government had in mind in using this phrase in their original Agenda, and yesterday's debate does not dissipate the impression of a certain lack of definition in the mind of the American Delegation. In anticipation that what would be wanted was a full disclosure of all concessions and special privileges claimed by each Power in China, this Delegation had already obtained from His Majesty's Minister at Peking by telegraph a list of such items, which they had put up in tabular form (Enclosure No. 10), for tabling at the Conference if and when required. But as the debate progressed, it soon became evident that what was contemplated was something widely different. The exact scope of what is wanted is indeed still in doubt, but it seems clear that all treaties, agreements or engagements of every description are contemplated. This being so, I have felt impelled to apply to His Majesty's Government for such a list, as I do not feel that with the material at their disposal the technical advisers of this Delegation can properly be called upon to supply such a far-reaching and binding document. I have accordingly addressed to Lord Curzon my telegram No. 280* of the 19th January.

11. Having thus reported, as I hope, sufficiently fully on the proceedings of the Committee on Pacific and Far Eastern Affairs, it remains to complete the record by bringing up to date the information already in the possession of His Majesty's Government respecting the Shantung negotiations. As the minutes of each of the conversations prepared by the British, American, and Japanese respectively have already been forwarded under separate cover, and as they are further duly summarised in accordance with precedent in the précis enclosed in this despatch (Enclosure No. 11), it is perhaps unnecessary that I should go fully into the actual course of the discussions.

12. It will be remembered that, as reported in my despatch No. 13† of the 13th January, the conversations were suspended on the 6th January, *sine die*, and

* W.D.C.-148.

† W.D.C.-157.

that a complete deadlock had apparently been reached. With a view to finding a common meeting-ground between the two Delegations, efforts were being made at the time of my despatch to find some avenue of possible compromise, and to this end four propositions, referred to as A, B, C, and D, had been submitted informally to each Delegation.

13. As it was evident that there must be considerable delay before either Delegation was in a position to return answers to these suggestions, it was found possible (and this must be credited to Mr MacMurray's initiative) to induce the two Delegations to meet again on the 11th January and resume negotiations on the other outstanding points, leaving the question of the railway over for the time being. These resumed conversations have continued very smoothly up to date, resulting, as reported in the telegrams ending in my telegram No 277* of the 19th January, in the satisfactory settlement of practically all outstanding points in the items specified in the Japanese note of the 7th September, 1921.† Since my last telegram, the question of the coal and iron mines and the wireless stations at Tsinan and Tsingtao have been disposed of (see Enclosures Nos 12 and 13). There thus only remains outstanding the question of (1) the railway, and (2) the salt, and there seems reasonable hope that the latter will not prove a serious stumbling-block, for there are indications that the Japanese Delegation are conscious that China's case is difficult to refute

14. As to the railway, no great progress can so far be reported, but I am still not despondent that a way out may be found. Having learned from the Japanese Delegation that the only one of the four "propositions" possible of acceptance to them (and that in a modified form) was "D," Mr Hughes and I came to the conclusion that the time had come to take a more active part in the negotiations. The Japanese Delegation having on an earlier occasion declined the Chinese desire to invoke our "good offices," it behoved us to move very tactfully, and we accordingly decided that we should confine ourselves to requesting the Japanese Delegation to attend at my house, and there to meet Mr Hughes and myself for a quite informal conversation on the subject, and to this they agreed without demur. The conversation took place on the evening of the 18th January (a Memorandum of which is being forwarded by this mail—S.W. 34‡), and I then impressed upon them, to the best of my ability, the vital necessity, in the interests not only of their own country but of the whole world, of using their utmost endeavour to facilitate a settlement. I pointed out that to the ordinary man in the street, the difference between the two Delegations must seem infinitesimal, and what, I asked, would be the effect on the world at large if it should prove that not only the Shantung question, but possibly the whole labours of the present Conference should wreck on so trivial a matter as whether the Japanese should have a Traffic Manager and an Accountant or merely a Chief Engineer on the Shantung line? I felt that in such an event, not only the Japanese Delegates, but also those who, like Mr. Hughes and myself, had done their best to further a settlement would have regretfully to admit the utter failure of our endeavours.

15. The following morning the Chinese Delegation were received at Mr Hughes's house, when I was present (a note of this is also included in this mail—S.W. 35§). On this occasion Mr. Hughes took the lead and handled the situation with admirable skill. Put very briefly, the line he took was that it was the sheerest folly for China to risk throwing away, for so small a game, the return of not only the Shantung Railway, but all the ex-German rights in the Province. Mr Hughes did not mince his words, and it was plain that they evidently went home, for the Chinese Delegates left our presence in a chastened mood, having before their departure, gone so far as to admit that an associate Japanese Traffic Manager and Associate Chief Accountant might possibly be accepted.

16. Such is the stage that the negotiations have reached at the moment of writing, and from the rough report which I have given, it will be realised that we are by no means out of the wood. None the less, there are glimpses of light, and though I do not profess to predict a settlement, I yet have hopes that some compromise acceptable to both parties may be reached in the course of the next few days.

I am, &c
(Signed) A. J. BALFOUR.

* W.D.C.-149.

† Not printed.

‡ Reproduced as Paper No. W.D.C.-185.

§ Reproduced as Paper No. W.D.C.-186

Enclosure 1.

RESOLUTIONS REGARDING REVISION OF CHINESE CUSTOMS DUTIES.

(Confidential.)

(Unanimously adopted at Meeting of the Committee on Pacific and Far Eastern Questions on January 16, 1922.)

(B.E.D.-174.)

(Previous Paper, B.E.D.-169.)

WITH a view to increasing the revenues of the Chinese Government, the United States of America, Belgium, the British Empire, China, France, Italy, Japan, the Netherlands and Portugal agree:—

I. That immediate steps be taken through a Special Conference, to be composed of representatives of the Contracting Powers and other Powers which adhere to this Convention, to prepare the way for the speedy abolition of *likin* and for the fulfilment of the other conditions laid down in Article VIII of the Treaty of the 5th September, 1902, between Great Britain and China, in Articles IV and V of the Treaty of the 8th October, 1903, between the United States and China, and in Article I of the Supplementary Treaty of the 8th October, 1903, between Japan and China, with a view to levying the surtaxes provided in those articles.

The Special Conference shall meet in China within three months after the date of the ratification of this Convention on a day and at a place to be designated by the Chinese Government.

II. The Special Conference shall consider the interim provisions to be applied prior to the abolition of *likin* and the fulfilment of the other conditions laid down in the articles of the treaties above mentioned; and it shall authorise the levying of a surtax on dutiable imports as from such date, for such purpose and subject to such conditions as it may determine.

The surtax shall be at a uniform rate of $2\frac{1}{2}$ per cent. *ad valorem*, except in the case of certain articles of luxury which, in the opinion of the Special Conference, can bear a greater increase without unduly impeding trade, and upon which the total surtax shall not exceed 5 per cent.

III. That following the immediate revision of the customs schedule of duties on imports into China as provided for in a resolution adopted by the representatives of all Powers signatory to this Convention at a Plenary Session of the Conference on the Limitation of Armament held in the City of Washington on the day of January, 1922, there shall be a further revision to take effect at the expiration of four years following the completion of the aforesaid revision, in order to ensure that the customs duties shall correspond to the *ad valorem* rates fixed by the Special Conference herein provided for.

That following this revision there shall be periodical revisions of the customs schedule of duties on imports into China every seven years for the same purpose, in lieu of the decennial revision authorised by existing treaties with China.

That in order to prevent delay, such periodical revisions shall be effected in accordance with rules to be settled by the Special Conference mentioned in Article I herein.

IV That in all matters relating to customs duties there shall be effective equality of treatment and of opportunity for all Powers parties to this Convention.

V. That the principle of uniformity in the rates of customs duties levied at all the land and maritime frontiers of China is hereby recognised; that the Special Conference above provided for shall make arrangements to give practical effect to this principle; and it is authorised to make equitable adjustments in those cases in which the customs privilege to be abolished was granted in return for some local economic advantage.

In the meantime, any increase in the rates of customs duties resulting from tariff revision or any surtax hereafter imposed, in pursuance of the present Convention, shall be levied at a uniform rate *ad valorem* at all land and maritime frontiers of China.

VI. That the charge for transit passes shall be at the rate of $2\frac{1}{2}$ per cent. *ad valorem* until the arrangements contemplated in Article I herein come into force.

VII That the Powers not signatory to this Convention having Governments at present recognised by the Powers represented at this Conference, but whose present treaties with China provide for a tariff on imports and exports not to exceed 5 per

cent. *ad valorem*, shall be invited to adhere to the present Convention, and, upon such adherence by all of them, this Convention shall override all provisions of treaties between China and the respective Contracting Powers which are inconsistent with its terms.

That the United States Government, as convener of the present Conference, undertakes to make the necessary communications for this purpose and to inform the Governments of the Contracting Powers of the replies received.

VIII. Ratification clause of usual form.

Separate Resolution.

That the Government of the United States, as convener of the present Conference, be requested to communicate forthwith the terms of the agreement arrived at with regard to the Chinese Tariff to the Governments of Powers concerned as stated in the agreement, with a view to obtaining their adherence to the agreement as soon as possible.

*Franklin Square Hotel, Washington, D.C.,
January 17, 1922*

Enclosure 2.

RESOLUTION ON THE REVISION OF THE CHINESE TARIFF.

(Confidential.)

(Unanimously adopted at Meeting of the Committee on Pacific and Far Eastern Questions on January 16, 1922.)

(B.E.D.-175.)

(Previous Paper, B.E.D.-170)

WITH a view to providing additional revenue to meet the needs of the Chinese Government, the Powers represented at this Conference, namely, the United States of America, Belgium, the British Empire, China, France, Italy, Japan, the Netherlands and Portugal, agree :—

That the customs schedule of duties on imports into China adopted by the Tariff Revision Commission at Shanghai on the 19th December, 1918, shall forthwith be revised so that the rates of duty shall be equivalent to 5 per cent. effective, as provided for in the several commercial treaties to which China is a party.

A Revision Commission shall meet at Shanghai, at the earliest practicable date, to effect this revision forthwith and on the general lines of the last revision.

This Commission shall be composed of representatives of the Powers above named and of representatives of any additional Powers having Governments at present recognised by the Powers represented at this Conference, and who have treaties with China providing for a tariff on imports and exports not to exceed 5 per cent. *ad valorem* and who desire to participate therein.

The revision shall proceed as rapidly as possible with a view to its completion within four months from the date of the adoption of this resolution by the Conference on the Limitation of Armament and Pacific and Far Eastern Questions.

The revised tariff shall become effective as soon as possible, but not earlier than two months after its publication by the Revision Commission

The Government of the United States, as convener of the present Conference, is requested forthwith to communicate the terms of this resolution to the Governments of Powers not represented at this Conference but who participated in the Revision of 1918, aforesaid.

*Franklin Square Hotel, Washington, D.C.,
January 17, 1922*

Enclosure 3.

COMMITTEE ON PACIFIC AND FAR EASTERN QUESTIONS.

(Confidential)

Draft Resolution on the "Open Door."

(B.E.D.-171.)

MR. HUGHES has communicated an advance copy of the following resolution, which he will probably move at the Committee on Pacific and Far Eastern Questions this afternoon:—

"With a view to applying more effectually the principle of the 'Open Door' or equality of opportunity for the trade and industry of all nations, the Powers represented in this Conference agree not to seek or to support their nationals in asserting any arrangement which might purport to establish in favour of their interests any general superiority of rights with respect to commercial or economic development in any designated region of the territories of China, or which might seek to create any such monopoly or preference as would exclude other nationals from undertaking any legitimate trade or industry or from participating with the Chinese Government in any category of public enterprise, it being understood that this agreement is not to be so construed as to prohibit the acquisition of such properties or rights as may be necessary to the conduct of a particular commercial or industrial undertaking."

M. P A HANKEY, *Secretary,*
British Empire Delegation.

Franklin Square Hotel, Washington, D C ,
January 16, 1922

Enclosure 4.

THE "OPEN DOOR" IN CHINA.

(Revised Draft of Resolution)

I WITH a view to applying more effectually the principles of the "Open Door" or equality of opportunity in China for the trade and industry of all nations, the Powers other than China represented at this Conference agree:—

- (a.) Not to seek or to support their nationals in seeking any arrangement which might purport to establish in favour of their interests any general superiority of rights with respect to commercial or economic development in any designated region of China.
- (b.) Not to seek or to support their nationals in seeking any such monopoly or preference as would deprive other nationals of the right of undertaking any legitimate trade or industry in China, or of participating with the Chinese Government, or with any Provincial Government in any category of public enterprise, or which, by reason of its scope, duration or geographical extension, is calculated to frustrate the practical application of the principle of equal opportunity.

It is understood that this agreement is not to be so construed as to prohibit the acquisition of such properties or rights as may be necessary to the conduct of a particular commercial, industrial or financial undertaking, or to the encouragement of invention and research.

II. The Chinese Government takes note of the above agreement and declares its intention of being guided by the same principles in dealing with applications for economic rights and privileges from Governments and nationals of all foreign countries, whether parties to that agreement or not.

III. The Powers, including China, represented at this Conference agree in principle to the establishment in China of a Board of Reference, to which any question arising on the above agreement and declaration may be referred for investigation and report.

(A detailed scheme for the constitution of the Board shall be framed by the Special Conference referred to in Article I of the Convention on Chinese Customs Duties.)

IV The Powers, including China, represented at this Conference agree that any provisions of an existing concession which appear inconsistent with those of another concession, or with the principles of the above agreement or declaration, may be submitted by the parties concerned to the Board of Reference, when established, for the purpose of endeavouring to arrive at a satisfactory adjustment on equitable terms

Enclosure 5

THE "OPEN DOOR" IN CHINA.

(Confidential.)

Resolution adopted at a Meeting of the Committee on Pacific and Far Eastern Questions on Wednesday, January 18, 1922, at 11 A.M.

(B.E.D.-180.)

(See also B.E.D.-171.)

I. WITH a view to applying more effectually the principles of the "Open Door" or equality of opportunity in China for the trade and industry of all nations, the Powers other than China represented at this Conference agree —

- (a.) Not to seek or to support their nationals in seeking any arrangement which might purport to establish in favour of their interests any general superiority of rights with respect to commercial or economic development in any designated region of China
- (b.) Not to seek or to support their nationals in seeking any such monopoly or preference as would deprive other nationals of the right of undertaking any legitimate trade or industry in China, or of participating with the Chinese Government, or with any Local Authority in any category of public enterprise, or which, by reason of its scope, duration or geographical extent, is calculated to frustrate the practical application of the principle of equal opportunity.

It is understood that this agreement is not to be so construed as to prohibit the acquisition of such properties or rights as may be necessary to the conduct of particular commercial, industrial or financial undertaking, or to the encouragement of invention and research.

II. The Chinese Government takes note of the above agreement and declares its intention of being guided by the same principles in dealing with applications for economic rights and privileges from Governments and nationals of all foreign countries, whether parties to that agreement or not.

III. The Powers, including China, represented at this Conference agree in principle to the establishment in China of a Board of Reference, to which any question arising on the above agreement and declaration may be referred for investigation and report.

(A detailed scheme for the constitution of the Board shall be framed by the Special Conference referred to in Article I of the Convention on Chinese Customs Duties)

*Franklin Square Hotel, Washington, D.C.,
January 18, 1922.*

Enclosure 6.

"OF course, it is clearly understood that there is nothing in this Resolution which affects, one way or the other, the existing international consortium or any other form of voluntary co-operation among private financial or industrial groups in different countries, which may join together in a manner not involving monopoly or infringement of the principles recognised by the Conference in order to furnish China with some essential service most efficiently and economically to be provided by united effort"

Enclosure 7.

(Confidential.)

RAILWAYS IN CHINA.

(B.E.D.-179.)

(See B.E.D.-176 and B.E.D.-176 (*Revise*)).

THE following additional Resolution on Chinese railways will probably be moved by Sir Auckland Geddes on behalf of the British Empire Delegation at the meeting of the Committee on Pacific and Far Eastern Questions to be held on Thursday, the 19th January, at 11 A.M. :—

“The Chinese Government declares that throughout the whole of the railways in China it will not exercise or permit any discrimination whatever, direct or indirect, in respect of charges or of facilities on the ground of the nationality of passengers or the countries from which or to which they are proceeding, or the origin or ownership of goods or the country from which or to which they are consigned, or the nationality or ownership of the ship or other means of conveying such passengers or goods, before or after their transport on the Chinese railways.

“The other Powers represented at this Conference take note of the above declaration, and make a corresponding declaration in respect of any of the aforesaid railways over which they or their nationals are in a position to exercise any control in virtue of any concession, special agreement or otherwise.

“Any question arising under this declaration may be referred by the Powers concerned to the Board of Reference, when established, for consideration and report.”

*Franklin Square Hotel, Washington, D.C.,
January 18, 1922.*

Enclosure 8.

RAILWAYS IN CHINA.

(Confidential.)

B.E.D.-176. *Revise.*

(See also B.E.D.-179.)

THE following Resolution will be presented by the American Delegation at the meeting of the Committee on Pacific and Far Eastern Questions to be held on Thursday, the 19th January, at 11 A.M. :—

“The Powers represented in this Conference record their hope that to the utmost degree, consistent with legitimate existing rights, the future development of railways in China shall be so conducted as to enable the Chinese Government to effect the unification of railways into a railway system under Chinese control, with such foreign financial and technical co-operation as may prove necessary in the interests of that system.”

*Franklin Square Hotel, Washington, D.C.,
January 18, 1922.*

Enclosure 9.

RAILWAYS IN CHINA.

(Confidential.)

Resolutions adopted at a Meeting of the Committee on Pacific and Far Eastern Questions on Thursday, January 19, 1922, at 11 a.m.

(B.E.D.-183.)

(See B.E.D.-176, B.E.D.-176 Revised and B.E.D.-179.)

I.

THAT it is desirable that a provision to the following effect be included in the Convention on the “Open Door” in China :—
The Chinese Government declares that throughout the whole of the railways in China it will not exercise or permit any unfair discrimination of any kind. In

particular, there shall be no discrimination whatever, direct or indirect, in respect of charges or of facilities on the ground of the nationality of passengers or the countries from which or to which they are proceeding, or the origin or ownership of goods or the country from which or to which they are consigned, or the nationality or ownership of the ship or other means of conveying such passengers or goods, before or after their transport on the Chinese railways

The other Powers represented at this Conference take note of the above declaration and make a corresponding declaration in respect of any of the aforesaid railways over which they or their nationals are in a position to exercise any control in virtue of any concession, special agreement or otherwise.

Any question arising under this declaration may be referred by any of the Powers concerned to the Board of Reference, when established, for consideration and report

II.

The Powers represented in this Conference record their hope that to the utmost degree consistent with legitimate existing rights the future development of railways in China shall be so conducted as to enable the Chinese Government to effect the unification of railways into a railway system under Chinese control, with such foreign financial and technical assistance as may prove necessary in the interests of that system.

*Franklin Square Hotel, Washington, D C ,
January 19, 1922.*

Enclosure 10.

LIST OF EXISTING BRITISH CONCESSIONS IN CHINA.

(Confidential)
(B.E.D.-177.)

Tabulated Statement prepared by Foreign Office Section, showing Concessions, Agreements, &c., in China, involving Special Privileges for British Interests

Description.	Beneficiary.	Date.	Remarks	Reference.
1. Chusan Convention ..	H.M.G. . . .	1846	Convention with Chinese Government for non-alienation of Chusan Island	Hertslet, p. 16.
2. Residential concessions: at Amoy, Canton, Chunkiang, Kiu-kiang, Hankow, Tientsin, Newchwang	H.M.G. . . .	1852-61		
3. Sinkiang (Chinese Turkestan): tariff and land-holding privilege	H.M.G. . . .	1881	Russo-Chinese Treaty Equal privileges claimed for British subjects as subjects of a most favoured limitrophe. China has already given notice under article 15 of her intention to modify this treaty	Hertslet, p. 492.
4. Burmese Conventions	H.M.G. . . .	1894-97	Non-alienation of certain areas on frontier; land tariff and railway privileges	MacMurray, pp. 1, 94.
5. Franco-British Declaration concerning Yunnan and Szechuan	H.M.G.	1896	The two Powers agree to share commercial and other privileges in these two provinces. This arrangement has never received practical application, and has come to be regarded as a dead letter by both parties, France recognising the concession of the Yunnan-Talifu Railway to a British company (see 28), and Great Britain raising no objection to the Yunnan-Chungking Railway being assigned to French interests	MacMurray, p. 55.

Description.	Beneficiary.	Date.	Remarks.	Reference.
6. Non - alienation of Yang-tze region	H.M.G.	1898	Exchange of notes with Chinese Government. The region was defined in an answer given in Parliament (23rd February, 1899) as including the provinces of which the streams run into the Yang-tze. Upon this non-alienation declaration our claim to a sphere of interest in the Yang-tze Valley has been based, but we have never interpreted such a sphere as meaning more than a claim to prior option for the construction of railways. To this extent our claim has been recognised formally by Russia (Extramural or Scott-Mouravieff Agreement, 28th April, 1899, MacMurray, p. 204), and privately by Germany (Anglo-German Bankers' arrangement of 2nd September, 1898, MacMurray, p. 266)	MacMurray, p. 104.
7. Imperial Maritime Customs: Inspector-General	H.M.G.	1898	Declaration by Chinese Government that Inspector-General will be of British nationality unless at some future time the trade of some other country becomes greater than that of Great Britain	MacMurray, p. 105.
8. Wei-Hai-Wei Convention	H.M.G.	1898	Besides the actual leased territory, a neutral zone was established in the region east of meridian 121° 41' E. in that region, no troops other than Chinese and British are to be allowed. Great Britain may also erect fortifications and acquire sites for water supply, communications and hospitals	MacMurray, p. 152.
9. Northern Railways (Shanhaikuan - Newchwang Loan Agreement)	British and Chinese Corporation, Ltd.	1898	Chief Engineer to be British; preference for further financing. Under this agreement a branch line from Chinchow to Chanyung is now under construction which the Corporation have been asked to finance. Also the doubling of the line between Tangshan and Shanhaikuan (see also 11)	MacMurray, p. 173.
10. Pritchard-Morgan Agreement	Mr. Pritchard - Morgan or Eastern Pioneer Company	1899	Mining rights in Szechuan (not exclusive) granted by the Szechuan Mining Bureau. The Chinese Government dispute the present validity of this agreement. His Majesty's Government maintain that some obligation exists, and negotiations continue to take place at intervals for a solution	MacMurray, p. 183.
11. Peking - Shanhaikuan Railway Agreement	British and Chinese Corporation and British bondholders	1902	On the transfer of the railway from British military to Chinese Civil Administration, it was agreed that certain posts on the administrative staff should be reserved for British nationals, and that British interests should have preference for construction of new lines within an 80-mile radius. By an exchange of notes the Chinese Government also agreed not to redeem bonds except by annual instalments extending to 1938 (see also 9)	MacMurray, p. 333.

Description.	Beneficiary.	Date.	Remarks.	Reference.
12. Shanghai-Nanking Railway Agreement	British and Chinese Corporation	1903	Chief engineer to be British; rights over the railway not to be transferred to others than British or Chinese; no rival lines to be built	MacMurray, p. 387.
13. Postal Arrangements ..	H.M.G.	1904	British postal agencies operating in the treaty port settlements recognised by the Chinese Government	MacMurray, p. 592.
14. Peking Syndicate Railways in Honan (Tao-kow-Chinghua Railway)	Peking Syndicate ..	1905	Rights not to be transferred to persons of another nationality (see also 31)	MacMurray, p. 510.
15. Railway construction in Hupei and Hunan	H.M.G.	1905	Letter from Hukuang Viceroy to His Majesty's consul-general, Hankow, promising a first option to British interests. The Chinese Government claim that the commitment expired when accompanying loan was repaid	MacMurray, p. 530.
16. Canton-Kowloon Railway Agreement	British and Chinese Corporation	1907	Chief engineer and accountant to be British; preference for British over other foreign materials. Rights not to be transferred to other than British or Chinese; no rival lines to be built. The right of connecting this railway to the trunk line from Canton to Hankow has been repeatedly confirmed, e.g., by exchange of letters between the Corporation and the Ministry of Communications, dated 2nd June, 1916	MacMurray, p. 615.
17. Tien-tsin-Pukow Railway Agreement	Chinese Central Railways, Ltd.	1908 and 1910	Preference for British over foreign materials on the southern section of the line, or for further financing	MacMurray, pp 684, 814.
18. Shansi Mining Agreement	Peking Syndicate ..	1908	In return for surrender of an earlier concession for working mines in Shansi, the syndicate obtained a prior option for the financing of mines in the province. The Chinese Government claim that this preference is limited to that portion of the province covered by the original agreement of 1898; but His Majesty's Government have not accepted this limitation (see also 22 and 33)	MacMurray, p. 698.
19. Shanghai-Hangchow-Ningpo Railway Agreement	British and Chinese Corporation	1908	Chief engineer to be British; preference for British over other foreign materials and right of further financing	MacMurray, p. 702.
20. Currency Loan Agreement	British Consortium Group	1911	British preference for financing one-quarter share of Chinese Government's requirements. This loan has not yet been issued. It has been offered to the new consortium	MacMurray, p. 841.
21. Hukuang Railway Agreement	British Consortium group	1911	Chief engineer, Hupei-Hunan section, during construction to be British. Preference for materials and further financing shared by British with other lenders. The second series of the loan and further loan issue have now been offered to the new Consortium	MacMurray, p. 866.
22. Kailan Mining Administration Area	Kailan Mining Administration	1912	Competitors excluded from the mining area of the administration. The mining area has not yet been finally determined. The Kailan Mining Administration exploits mines in Chihli Province, and holds a concession for coal mining in North Shansi. (See also 18.)	MacMurray, p. 966.

Description.	Beneficiary.	Date.	Remarks.	Reference.
23. Reorgamsation Loan Agreement	British Consortium group	1913	Preference for further financing shared by British with other lenders. Further issue of this loan has been offered to the new Consortium	MacMurray, p. 1007.
24. Pukow-Sinyang Railway Agreement	Chinese Central Railways. Ltd.	1913	Chief engineer, traffic manager and accountant to be British. Preference for materials and further financing. This agreement has not yet been carried out. It has been offered to the new Consortium	MacMurray, p. 1068.
25. Cable Agreements ..	Eastern extension, Australasia and China Telegraph Company (British) and Great Northern Telegraph Company (Danish)	1896-1913	No other party allowed to land cables on coast of China or establish competing telegraph connections without consent of the two companies until 31st December, 1930. Joint Purse Agreement with Chinese Government, Shanghai-Taku Cable Agreement and various stipulations as to administrative details also to be continued until the above date. The cable companies' monopoly has not been rigidly enforced	MacMurray, pp. 59-67, 269-274.
26. Nanking-Hunan Railway Agreement	British and Chinese Corporation	1914	Chief engineer, traffic manager and accountant to be British. Preference for materials and further financing. This agreement has not yet been carried out. It has been offered to the new Consortium	MacMurray, p. 1113.
27. Canton-Nanchang and Canton-Chaochowfu Railways	British interests ..	1914	By exchange of letters between the Chinese Ministry of Communications and His Majesty's Legation, the right to construct these railways has been reserved to British firms.	
28. Shasi-Shingyi Railway Agreement	Messrs. Pauling and Co.	1914	Chief engineer and accountant to be British. Preference for British material. This agreement has not yet been carried out. The same company holds an option for construction of a railway on similar terms from Yunnan to Talifu, or equivalent mileage elsewhere	MacMurray, p. 1130.
29. Hankow Improvement Loan	Messrs. Samuel and Co.	1914	Chief engineer to be approved by British lenders. Preference for British material. This loan has not yet been issued, and lenders' option continues for two years after proclamation of peace	MacMurray, p. 1172.
30. Fuchung Corporation Agreement	Peking Syndicate ..	1915	One general manager to be British. Preference for financing future mining operations in certain areas of Honan Province	MacMurray, p. 1203.
31. Taoching Railway Extension to Menghsien and Pingyangfu	Peking Syndicate ..	1916	Letters exchanged between syndicate and Ministry of Communications, 12th August, 1916, reserving to the syndicate the right to construct this railway. Agreement for first of these extensions was signed on 16th December, 1920.	
32. Szechnan Province Potash Exploitation	H.M.G. ..	1919	Exchange of letters between His Majesty's Legation and Chinese Ministry for Foreign Affairs obtaining preference for British assistance in development of potash deposits.	
33. Wireless Telephone Agreement	Marconi Company ..	1918	Preference for Marconi system of wireless telephony during period of loan	MacMurray, p. 1440.
34. Wireless Telegraph Agreement	Marconi Company ..	1918	Preference for purchase of specified subsidiary equipment from Marconi Company	MacMurray, p. 1452.

Description.	Beneficiary.	Date.	Remarks.	Reference.
35. Chinese National Wireless Company Agreement	Marconi Company ..	1919	Preference for supply of Chinese Government's requirements in wireless apparatus	MacMurray, p. 1442.
36. Vickers Aeroplane Agreement	Vickers, Ltd. ..	1919	Preference for supply of further material during period of loan and for co-operation with Chinese Government in establishment of air services and aircraft factories.	
37. Sinkiang (Chinese Turkestan) Oil-Prospecting Permit	Chinese Mining Corporation	1919	Permit issued on 5th November, 1919, to the Sino-British Corporation, in which British (Peking Syndicate) own a half interest.	
38. Shansi Mining Agreements	Peking Syndicate ..	1920	Agreements drafted with the provincial authorities of Shansi for Sino-British co-operation in working of coal and oil. Negotiations for ratification of these agreements by Central Government are not yet complete.	
39. Cassel Agreement	Major L. Cassel and Sum Pak Ming	1920	Agreement signed with provincial authorities of Kwangtung for Sino-British co-operation in working of coal. Negotiations for ratification of this agreement by Central Government are not yet complete.	

BRITISH Leased Territories in China.

Name of Territory.	Date of Acquiring.	Term of Lease.	Other Terms
1. Kowloon Extension (see MacMurray, p. 130)	June 9, 1898 ..	99 years ..	Limits of British territory enlarged under lease to extent indicated in map attached to the convention, within this territory. Great Britain to have sole jurisdiction, except for juridical rights of Chinese officials in Kowloon native walled city (these rights were abrogated in 1899, when the city was incorporated in the leased territory), no expropriation of natives, option for building railway (now built), rights of access reserved for Chinese men-of-war, extradition to be dealt with according to existing treaties.
2. Wei-Hai-Wei (see MacMurray, p. 152)	July 1, 1898 ..	For so long a period as Port Arthur shall remain in Russian occupation	Territory to comprise Liu-kung and other islands in Bay of Wei-Hai-Wei and a belt of land 10 miles wide along coast-line of the bay. Great Britain to have sole jurisdiction, but juridical rights of Chinese officials within city of Wei-Hai-Wei are safeguarded; no expropriation of natives; rights of access reserved for Chinese men-of-war. For special rights in neutral zone see list of concessions, agreements, &c., above No. 8.

*Franklin Square Hotel, Washington, D.C.,
January 18, 1922.*

Enclosure 11.

RESUMÉ OF SHANTUNG CONVERSATIONS.

21st-30th Meetings, January 11 to January 19, 1922.

January 11, 11 a.m., 21st Meeting. Salt; Withdrawal of Japanese Troops.

PENDING a solution of the railway question, and in order to preserve the continuity of the meetings, it has been decided to proceed with the discussion of other matters relating to the Shantung question. Meetings were resumed on the 11th January, and, after a few inconclusive remarks on the subject of the supply of salt from Tsingtao to Japan, the two Delegations settled down to discuss the question of the withdrawal of troops stationed along the Tsingtao-Tsinanfu railway. The debate centred principally on the question of fixing the date by which the Japanese troops could be withdrawn. The Japanese had tentatively proposed nine months, but to the Chinese this period appeared far too long. The Japanese insisted that this was a question for expert opinion and that their military experts had maintained that nine months would be required. The Chinese gave assurances that their forces would be on the spot to guard the railway immediately on the withdrawal of the Japanese.

January 11, 4 p.m., 22nd Meeting. Withdrawal of Japanese Troops.

With regard to the Japanese troops in Shantung, the Japanese Delegation gave the following figures—the number stood at 2,700 officers and men, of whom 1,800 were distributed along the railway and 900 stationed at Tsingtao. With regard to the police force, there were 12 men attached to the Japanese Consulate at Tsinanfu. The number of the troops just mentioned included 300 gendarmes. The Japanese Delegates stated positively that the dates proposed by them for withdrawing the troops should offer no ground for a suspicion that Japan desired to prolong the stay of her soldiers in Shantung. They were just as anxious as the Chinese to have the troops withdrawn. The Chinese then referred to the note sent to the Chinese Government by the Japanese Minister in Peking on the 19th January, 1919, in which the Japanese Government declared that they had no objection to withdrawing the troops even before reaching an agreement on the Shantung question. They urged that, should the withdrawing of troops now be made to depend upon the signature of the agreement, such action would be counter to the undertaking then made by Japan. They suggested that the withdrawal of the troops should be effected independently of the agreement on the Shantung question. To this the Japanese replied that, if China were to accept the 1919 offer, they must notify the Japanese Minister at Peking in accordance with its terms; it would not then be necessary to make any arrangement on this point in the course of the Washington conversations. They repeated that the offer still held good, and, if China should accept it, arrangements should be made in Peking. If the matter was to be handled at Washington, the Japanese Delegation could not agree to its being made independent of the general settlement. The debate then continued as to the date by which the troops should be withdrawn, the Japanese reducing their suggested period to six months. A final agreement was reached on the following terms:—

“The Japanese troops, including gendarmes, now stationed along the Tsingtao-Tsinanfu railway and its branches shall be withdrawn as soon as the Chinese police or military force shall have been sent to take over the protection of the railway.

“The disposition of the Chinese police or military force and the withdrawal of the Japanese troops under the foregoing provisions may be effected in sections. The date of the completion of such process for each section shall be arranged in advance between the competent authorities of Japan and China. The entire withdrawal of such Japanese troops shall be effected, if possible, within three months and in any case not later than six months from the date of the signature of the present agreement.

“The Japanese garrison at Tsingtao shall be completely withdrawn simultaneously, if possible, with the transfer of the Administration of the leased territory to China, and in any case not later than thirty days from the date of such transfer.”

January 12, 11 a.m., 23rd Meeting. Extension of the Shantung Railway

The Chinese asked for further elucidation to Article 5 of the Japanese note of the 7th September, 1921, which dealt with the proposed Kaomi-Hsuchow and Tsinan-Shunteh lines as well as the Yontai-Weihsin railway. With regard to this last line, the Chinese insisted that the Chefoo people had expressed their wish to build the line themselves. So long as they could raise the funds there was no occasion for them to borrow money from abroad. The Japanese desired to know whether the necessary funds had already been raised; to this the Chinese replied that no cash had been raised but pledges had been given. The Japanese Delegation then reminded the Chinese that in August 1913 the Chinese Ministry of Communications had stated that it was the policy of the Chinese Government to construct this railway as a Government enterprise. To this the Chinese replied that that was a long time ago, and that now the Chinese Government would no longer object to the building of the line by the people themselves. They insisted that this line should therefore be excluded from any draft formula; that only the Kaomi-Hsuchow and the Tsingtao-Shunteh railways should be referred to, and that those two lines might be assigned to an international financial body. The Japanese reminded the Chinese Delegates that in the Sino-Japanese Shantung Treaty of 1915 a clear undertaking was given with regard to the Chefoo-Weishien line; to this the Chinese replied that it would be better to limit the conversation to facts as they were, and not to enter into academic discussions. The Japanese yielded on this point on the understanding that the financing of the railway would have to be done exclusively with Chinese capital, otherwise Japan would insist upon the matter being placed with the International Financial Consortium.

The discussion then turned to the other two lines which had been offered by the Japanese banking group to the Consortium. The Chinese refused to be bound by this offer, as they were not a party to the Consortium agreement, and as they did not know whether the Chinese Government had granted the Japanese bank the right to transfer their rights without previous agreement with the Chinese Government. So far the Chinese Government had not given any consent to the transfer. As for the relationship between the Chinese Government and the International Consortium concerning this particular question, the Chinese Delegates felt that some formality had to be gone through before this financial body could properly take over these concessions. The Japanese asked whether, in turning over to the Consortium the rights held by the Japanese banking group, it would be necessary to obtain the consent of the Chinese Government; the Chinese replied in the affirmative. The Japanese then pointed out that their bank so far had merely promised to hand over the rights, but so far no act of transfer or "pooling" had been completed. The general discussion on the Consortium then followed, in the course of which the Chinese made the following statement:—

"The Chinese Government had no particular objection to entering into relation with the Consortium, but the question still remained outstanding, and so far the conversations which had taken place from time to time between the Chinese Government and the Consortium had not led up to a definite conclusion. The Chinese Delegates did not feel justified to commit the Chinese Government in its relation with the Consortium. On the other hand, the Chinese capitalists interested would at once raise the question, if the concession were to be turned over to the International Financial Group, why they should not be included in the Consortium. They desired to enter into the International Group, and their information was that the present members of the Consortium were willing to invite the Chinese bankers to join. The relation between the Chinese bankers and the Consortium was in the process of crystallisation."

Eventually a final agreement was reached on the following terms.—

"It is agreed that the concessions relating to the two extensions of the Tsingtao-Tsinanfu railway, namely, the Tsinan-Shunteh and the Kaomi-Hsuchowfu lines, will be thrown open for the common activity of an International Financial Group on terms to be arranged between the Chinese Government and the said group."

January 12, 3 P.M., 24th Meeting. Opening of Tsingtao as a Port of Trade.

In discussing the opening of Tsingtao as a port of trade, the Chinese Delegates pointed out that, whereas in the Japanese note of the 7th September, 1921, it had

been proposed that foreigners in Tsingtao should be permitted to carry on commerce, industry and agriculture, foreigners in China were not permitted to engage in agriculture, and that rule must apply to Tsingtao. The Japanese replied that they had no intention of insisting upon the inclusion of agriculture among the rights of foreigners to be protected in this connection. The debate then continued on the point as to whether, in the case of the opening of Tsingtao as a port, the small piece of land on the left side of the bay should be included as well as the greater part of the leased territory which was situated with Tsingtao on the right-hand side of the bay. The Chinese were reluctant to include the left-hand side as well. After an inconclusive debate this point was postponed for the time being.

The Chinese then said that the Japanese proposal in regard to the opening of suitable cities and towns in Shantung coincided with the intention of the Chinese Government; but they did not consider it advisable for them to enter into any definite arrangements on this point, nor yet with regard to the regulations concerning the opening of those places. The two Delegations agreed to detach these two points from the main body of the proposed Treaty, and to add them in the form of a declaration to be published simultaneously with the main agreement. The Japanese did not insist upon being informed beforehand as to the names of the places to be opened; and the Chinese stated that they would send a draft of their declaration unofficially to the Japanese Delegation, before it was published. The Japanese expressed a hope that it was not the intention of the Chinese Government to expel Japanese nationals actually living upon the railway.

On resuming the discussion regarding Tsingtao itself, the Chinese agreed to include the left-hand side of the bay, but in doing so expressed a hope that the Japanese Government would take steps to co-operate with the Chinese in exercising special control over the Japanese who might desire to live in that part of the port. General administrative authority as well as responsibility would, of course, remain in the hands of the Chinese.

The Japanese Government having relinquished its claim for the establishing of a Japanese exclusive settlement or of an international settlement in Tsingtao, the Chinese then proposed that the former leased territory of Kiaochow should be opened to foreign trade in accordance with the established precedent of self-opened ports. In this port, the nationals of Treaty Powers were to enjoy the same rights of trade and residence as were enjoyed by them in self-opened ports of China. In reply the Japanese desired to place importance on the point that China should institute a special municipal system whereby the foreign community should be given fair representation in the administration at Tsingtao. Tsingtao was different from other self-opened ports, because before the opening of the port there actually were a great number of foreigners resident there.

A long debate followed on the subject of the participation of foreigners in the local Government at Tsingtao. The Chinese were unwilling to commit themselves to any definite system of local government in any part of China, so long as it was uncertain what system would eventually be adopted in opening the whole country for the residence and trade of foreigners. Besides, they considered that so far as the administration of public works, &c., was concerned, sufficient safeguards had already been given to foreign residents. The Japanese replied that these assurances did not cover such matters as roads and sanitary institutions, which would affect the interests of the community greatly. It might be arranged that China should declare that she would open the leased territory of her own accord, and that she would be ready to institute fair representation in the municipal administration. To this, the Chinese suggested that such an admission on their part might be contrary to the Root Resolutions adopted at the beginning of the Conference.

Towards the end of the meeting, Sir John Jordan intervened to ask why, if fair representation was to be given to the foreign community in relation to the public properties in Tsingtao, foreign representation in the general administration should be refused? It seemed to him that Tsingtao was not going to be quite a self-opened port, and he wondered through what body it was proposed that the foreign community in Tsingtao should participate in the management of the public works. The Chinese replied that in the Department of Public Works there could be foreign experts, who would work with the Chinese authorities. The Japanese gave the instance of foreign representation in local administration at Chefoo as being a voluntary and also a very simple system.

January 13, 11 A.M., 25th Meeting. Opening of Tsingtao as a Port of Trade.

The Chinese Delegation proposed to recommend to their Government that the views of foreign residents in Tsingtao should be ascertained as regards such municipal matters as might directly affect their welfare, for instance, the levying of taxes for local purposes, the adoption of sanitary measures, and the expropriation of lands for the building of roads. But a mere recommendation was not sufficient for the Japanese; they demanded fair representation in the deliberation of municipal matters. The Japanese did not, however, propose that the foreign communities should have any executive functions, they were merely to take part in the deliberative body.

A long discussion ensued as to the question of the enactment of general laws in relation to the extraterritorial system. The Japanese contended that, so long as extraterritoriality continues, there will obviously be a difficulty in the levying of taxes without foreign co-operation. When the Chinese asserted that if the foreign residents expected to enjoy certain rights, then they should stand their share of the municipal expenditure, the Japanese at once reminded them that no foreigner can be taxed without the consent of his Government. The British and American observers intervened in the same sense, and Mr MacMurray made the following declaration:—

“ In regard to the levying of taxes, I feel bound to say that the presence of Mr. Bell and myself as observers at these conversations is not to be taken as implying assent to the principle that American citizens and their interests are subject to taxation for municipal purposes unless by the express consent of the American Government. I am not prepared to indicate whether or not such consent will be given, I wish only to reserve to my Government entire freedom of action in the judging of this question ”

Sir John Jordan associated himself with Mr MacMurray's remarks. The Chinese thereupon withdrew their proposal concerning the levying of taxes.

The following text was finally agreed upon, as a voluntary declaration on the part of China, not to be incorporated in the Treaty:—

“ The Chinese Government declares that pending the enactment and general application of laws regulating the system of local self-government in China, the Chinese local authorities will ascertain the views of the foreign residents of the former German-leased territory of Kiaochow in such municipal matters as may directly affect their welfare and interests ”

It was further brought out in discussion that the leased territory did not include the city of Kiaochowfu where China had a prefect. The seat of administration of the leased territory would be at Tsingtao.

January 14, 10 30 A.M., 26th Meeting. Opening of Tsingtao as a Port of Trade. Restitution of the Leasehold of Kiaochow. Handing over of Documents. Disavowal by Japan of Special Claims in Shantung.

After a few minor corrections had been made in the text, the final agreement with regard to the opening of Tsingtao as a port was adopted as follows:—

“ The Japanese Government declares that it has no intention of seeking the establishing of an exclusive Japanese settlement or of an international settlement in Tsingtao.

“ The Chinese Government, on its part, declares that the entire area of the former German-leased territory at Kiaochow will be opened to foreign trade; and that foreigners will be permitted freely to reside and to carry on commerce, industry and other lawful pursuits within such area.

“ The vested rights, lawfully and equitably acquired by foreign nationals in the said area under the German régime, or during the Japanese military occupation, will be respected. The question relating to the status and validity of such vested rights of Japanese nationals shall be arranged by a Sino-Japanese Commission.”

(Annex.)

“ The Chinese Government declares that, pending the enactment and general application of the general laws regulating the system of local self-government in China, the Chinese local authorities will ascertain the views of the residents in the former German-leased territory of Kiaochow in such municipal matters as may directly affect their welfare and interests ”

The discussion then turned to the question of the restitution of the leasehold of Kiaochow to China, which formed the subject of paragraph 1 of the Japanese note of the 7th September 1921. This discussion raised the question as to what documents should be handed over. The Japanese considered that they would be quite willing to hand over such maps, plans, registers, title deeds, &c., as might be necessary for effecting the transfer of public properties to China.

The Chinese said that what they required were such documents as Japan had received under Article 158 of the Treaty of Versailles, not necessarily those connected with public properties. They also desired all documents relating to the Japanese administration of Tsingtao, especially as they understood that the Japanese military authorities had leased out part of the land which had been held as public property under the Germans. The Japanese suggested that, upon the coming into force of the agreement now under discussion, the Chinese Government should send to Tsingtao a Commission authorised to make arrangements with the Japanese relating to the transfer of the administration at Tsingtao, as well as of public properties used for administrative purposes, this Commission could deal with the question of the documents, which was rather a matter of detail. The Chinese, on the other hand, wanted this point to be covered by a clause in the main agreement. To this the Japanese objected, as the question was not that of a cession of territory; the main agreement, therefore, should not contain such a provision as would occur in a treaty of cession. The Japanese having drafted a formula to be inserted in the minutes, the Chinese objected that it was too limited in scope and that Japan should agree to hand over *all* documents relating to the administration. The formula finally adopted was as follows —

“ The Japanese Government agrees to hand over to the Chinese Government upon the transfer to China of the administration of the former German-leased territory of Kiaochow, such archives, registers, plans, title deeds, and other documents, in the possession of Japan, or such certified copies thereof, as may be necessary for the said transfer, as well as those that may be useful for the administration by China after such transfer of that territory and of the 50-kilom. zone around the Kiaochow Bay.”

The Chinese wished to have this made into an Annex to the Treaty, but the Japanese refused, as it would make the matter look too much like a cession of territory.

In the course of this discussion, the Japanese official (Mr. Debuchi), who had been at Berlin in order to take over the Tsingtao documents from Germany, stated that, so far as he remembered, the documents handed over to Japan were only copies of the agreements and treaties signed at Peking between German representatives and the Chinese Government, and, moreover, there were no plans or title deeds of any kind. As for the documents found at Tsingtao, most of these had been burned and some were left in mutilated form. In withdrawing from Tsingtao, the Germans had tried to destroy all documents as far as possible, so that nothing of practical importance had been left there. The Chinese reminded the Japanese that as a general principle they had insisted that it was the intention of the Japanese Government to restore *all* rights originally granted to Germany and those to which Japan had laid claim during her administration, subject only to such arrangements as would be stipulated in the agreement now being discussed. One point which they had in mind referred to the right of preference or option which had been granted to Germany with reference to the employment of experts and the supply of material and capital in Shantung. They asked for a comprehensive clause so as to assure that, after restitution was effected, Japan would not have any territorial advantage or any preference or exclusive privilege, whether of political or economic character. At the same time they asked what exactly was the reference to “ other matters ” in paragraph 8 of the Japanese note of the 7th September, 1921. The Japanese reply was that these “ other matters ” were such matters as those relating to the wireless

stations at Tsingtao and Tsinanfu; also post offices, but those had already been disposed of by the Full Committee on Pacific and Far Eastern Questions. With regard to the comprehensive clause, the Japanese did not see the necessity, as neither side knew of any other rights or privileges which Japan might claim.

Eventually, the Chinese produced a draft by which the Japanese Government and its nationals were to disavow all claims to territorial advantage or preferential or exclusive rights in Shantung. The Japanese replied that they had already given such assurances, not only as regards Shantung Province, but as regards all parts of China, and that such a formula might be mistaken for an admission on Japan's part that she had so far disregarded those principles in Shantung. The matter might safely be left to the application of the principles adopted by the Washington Conference. The Japanese, in fact, refused either to have any such clause inserted in the Treaty, or to have it recorded in the minutes as representing the understanding of the two Delegations.

January 16, 10:30 A. M., 27th Meeting. Restoration of the Leasehold of Kiaochow; Mines.

The Japanese, after stating that they had absolutely no intention to protract the transfer of the territory, pointed out that the administration extended to all fields, namely, legislative, executive and judicial. Cases might be still pending, and inventories would have to be prepared. The transfer therefore of the administration should be left for arrangement between a Chinese Commission and the Japanese authorities at Tsingtao. A debate ensued as to the scope and authority of the Commission, and as to the advisability of appointing a Japanese Commission also. The Japanese pointed out that it was advisable to settle the transfer as soon as possible, and not to make it dependent upon the adjustment of minor matters. So the following tentative agreement was accepted by both sides:—

1. Japan shall restore to China the former German leased territory of Kiaochow.
2. The Governments of Japan and China shall each appoint a Commission with powers to make and to carry out detailed arrangements relating to the transfer of the administration and of public property in the said territory, and to settle other matters equally requiring adjustment. For such purposes the Japanese and Chinese Commissions shall meet immediately upon the coming into force of the present agreement.
3. The said transfer (and adjustment) shall be completed as soon as possible, and in any case, not later than . . . from the date of the coming into force of this agreement."

It was decided that the word "adjustment" should be left tentatively in the draft, and that it should be deleted if a longer period than a month were required for effecting the transfer. It was decided to await an answer from Tokyo before inserting a definite period for the date of the transfer.

With regard to the mines, the general idea of the Japanese was that they should be worked as a joint Sino-Japanese enterprise. They then enquired what was the period given for the German Mining Concessions, the Chinese could not recall that any definite period had been stated. The Japanese then enquired whether the Chinese would prefer a Government or private enterprise to work the mines. The idea of the Chinese Delegates, however, was that the mines should be handed over to the Chinese Government in order that a Chinese Company might be formed in which Japanese and other foreign capitalists, as well as the Chinese themselves, might be permitted to invest in conformity with the Chinese law. They had no prejudged opinion as to whether the joint enterprise should be a Government or a private one, and they submitted a draft formula expressing their proposal, explaining that Chinese law admitted a maximum foreign investment of 50 per cent. in any mining company. Before adjournment the Chinese Delegates agreed to furnish information concerning the Chinese laws regulating foreign participation in mines, at the same time they asked for information from the Japanese Delegates as to the mines being operated by the Japanese in Shantung.

The two Delegations also took the opportunity to express their appreciation of the presence at the meetings of Sir John Jordan, who now found himself obliged to leave for England, and would not be able to assist at any more of the conversations.

January 17, 10:30 A.M., 28th Meeting Mines.

Sir John Jordan having had to leave for England, Mr. Ashton-Gwatkin was present at the meeting as British observer with Mr. Lampson, and the meeting commenced with an expression of welcome to him on behalf of both Delegations. The Japanese Delegation explained that there were three mining districts in Shantung actually operated by the Japanese authorities—Tsechuan (coal), Fengtze (coal), and Chinlingchen (iron). Japan had not opened nor operated any other mines except these, nor had she made any extensions of the mining areas.

The Chinese explained that according to the temporary regulations issued on the 27th November, 1915, iron mines were made an exception from the general mining regulations. Iron mines were placed under the general supervision and control of the Chinese Government; private people could own iron mines only under special permission of the Ministry of Agriculture and Commerce. Foreign capital could not be admitted in iron mining enterprises. The sale of ore to foreigners required special sanction of the said Ministry, and in granting iron mine concessions, the Chinese Government was to retain the right or priority of buying out the mining interests.

In discussing the Chinese draft formula, the Japanese Delegation objected to the idea of the formation of a Chinese Company under Chinese law, on the grounds that the status of a Chinese Company was difficult to define; nor would they recognise the validity of the Chinese law concerning mines as this law, and the mining regulations also had been the subject of protest by the Treaty Powers. They proposed that the Shantung mines should be operated jointly by Japan and China on an entirely equal footing, and that the mode and terms of such joint enterprise should be arranged between Japanese and Chinese Commissions.

In deference to their laws the Chinese wished to draw a distinction between the coal mines and the iron mines, they asseverated that the Chinlingchen iron mine could be of little importance to Japan, a statement which the Japanese vehemently denied. The Japanese maintained that the question of the Shantung mines could easily be treated as an exception to the general mining regulations of China, as they were concessions which had already been granted to the Germans years ago. They said that the actual fact was that the mines were in the hands of Japan, and to admit Chinese co-operation in any form was a concession on the Japanese part. The Japanese then put forward a draft according to which the Japanese Government were to hand over the three mines to a combination of Chinese and Japanese capital. The Chinese did not see how this could be done, and considered that the mines must be handed over to the Chinese Government first. The Japanese objected to the mines being handed over to the Chinese Government; they proposed that the ownership and operation of the mines should rest with the Sino-Japanese combination.

January 18, 4 P.M., 29th Meeting Mines.

The Chinese Delegation submitted two drafts, one applying to the coal mines, and offering Japanese participation up to 50 per cent., and the other dealing with the iron mines, and providing for purchase by China, with a retention of Japanese interest over an agreed period of years. The Japanese did not approve of either of these drafts, and again hoped that China would treat the three mines as a case entirely independent of the general application of the Chinese mining regulations. They suggested an amendment, taking the three mines together. As an instance of a Sino-Japanese combination, such as they had already suggested, the Japanese quoted the case of the Chinese-Japanese Industrial Development Company. The president of that company was a Chinese, and there was a Chinese and a Japanese vice-president. Eventually, the Chinese accepted the Japanese formula with a minor qualification designed to conciliate public opinion in China. The formula accepted by both sides is as follows:—

“ The mines of Tsechuan, Fantze and Chinlingchen, for which the mining rights were formerly granted by China to Germany, shall be handed over to a company to be formed by a special charter of the Chinese Government, in which the Japanese capital may not exceed the amount of the Chinese capital. The mode and terms of such arrangement shall be determined by the Chinese and Japanese Commissions, which are to be appointed for that purpose, and which shall meet immediately upon the coming into force of the present Agreement ”

January 19, 4 P.M., 30th Meeting. Cables Wireless Stations.

The Japanese explained that the Germans had laid two cables: (1) Tsingtao-Chefoo, (2) Tsingtao-Shanghai. During the war Japan cut these cables and laid another cable from Tsingtao to Sasebo, by making use of the former German cables. There were still, however, about 120 miles of the cable remaining unused at the bottom of the sea. Japan was ready to abandon all title to the Tsingtao-Chefoo and Tsingtao-Shanghai cables, but in view of the fact that the Chinese Government has a plan for laying a cable from Chefoo to Shanghai, they hoped that China would bring that cable into Tsingtao. They also hoped that the *status quo* would be maintained as regards the Tsingtao-Sasebo cable. The rights of the Great Northern and Eastern Extension Cable Companies would, of course, have to be respected. On these lines the Japanese prepared a draft, but the Chinese objected to being tied down by any kind of condition. The landing rights of the Tsingtao-Sasebo line and the bringing of the Chefoo-Shanghai cable into Tsingtao were both questions which would have to be referred to Peking. The formula finally agreed to is as follows:—

“Japan declares that all the rights, title and privileges concerning the former German submarine cables between Tsingtao and Chefoo, and between Tsingtao and Shanghai, are vested in China, with the exception of those portions of the said two cables which have been utilised by the Japanese Government for the laying of a cable between Tsingtao and Sasebo; it being understood that the question relating to the landing and operation at Tsingtao of the said Tsingtao-Sasebo cable shall be arranged by the Chinese and Japanese Commissions, subject to the terms of the existing contracts to which China is a party.”

The subject of wireless stations was then discussed. There are two of these stations, one at Tsingtao (12 kilowatt) and one at Tsinanfu (70 kilowatt). The Japanese at once stated that they had no objection to handing these stations over to China for suitable compensation. It was agreed that as the wireless stations had been established for military purposes, their transfer should depend on the transfer of the troops. The Japanese made a special plea that in accepting messages for these stations, facilities should be given for the transmission of “Kana” messages (a Japanese syllabary used for telegram messages). This was for the convenience of the 20,000 Japanese now resident in and around Tsingtao. The Chinese replied that this was a very technical question, which must be referred to the authorities in China. The draft formula eventually accepted by both parties is as follows:—

“The Japanese wireless stations at Tsingtao and Tsinanfu shall be transferred to China upon the withdrawal of the Japanese troops at those two places respectively, with fair compensation for the value of these stations. The details of such transfer and compensation shall be arranged by the Chinese and Japanese Commissions.”

Enclosure 12

“THE mines of Tsechuan, Fantze and Chinlingchen, for which the mining rights were formerly granted by China to Germany, shall be handed over to a company to be formed by a special charter of the Chinese Government, in which the Japanese capital may not exceed the amount of the Chinese capital.

“The mode and terms of such arrangement shall be determined by the Chinese and Japanese Commissions, which are to be appointed for that purpose, and which shall meet immediately upon the coming into force of the present agreement.”

Enclosure 13

Cables.

“JAPAN declares that all the rights, title and privileges concerning the former German submarine cables between Tsingtao and Chefoo, and between Tsingtao and Shanghai, are vested in China, with the exception of those portions of the said two cables which have been utilised by the Japanese Government for the laying of a

cable between Tsingtao and Sasebo, it being understood that the question relating to the landing and operation at Tsingtao of the said Tsingtao-Sasebo cable shall be arranged by the Chinese and Japanese Commissions, subject to the terms of the existing contracts, to which China is a party."

Wireless.

"The Japanese wireless stations at Tsingtao and Tsinanfu shall be transferred to China upon the withdrawal of the Japanese troops at those two places respectively, with fair compensation for the value of these stations.

"The details of such transfer and compensation shall be arranged by the Chinese and Japanese Commissions."

Printed for the Cabinet. February 1922.

SECRET.

W.D.C.-201.

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CABINET.

WASHINGTON CONFERENCE ON LIMITATION OF ARMAMENT

*Copy of Despatch (No. 18) from Mr. Balfour to the Prime Minister, dated
January 25, 1922.*

(Previous Papers Nos. W.D.C. 13, 14, 24, 47, 62, 63, 71, 95, 96, 116, 117, 123, 157,
158, 159, 183 and 184.)

- Sir, *Washington, January 25, 1922.*
- IN paragraphs 3 and 4 of my last despatch (No. 16* of the 20th January, 1922), regarding the limitation of armament, I referred to the difficulties which had arisen in connection with the framing of Article XIX in the proposed Naval Treaty, this being the article which deals with the *status quo* as regards naval bases and fortifications in the Pacific
2. On the 21st January the Japanese Delegation were in possession of the views of the Japanese Government. Baron Kato then saw Mr. Hughes, and explained that although there were no technical objections either to the substance of the British definition of the *status quo* area or to its demarcation on a map, to be attached to the treaty (see my telegram Delcon, No 261)† reasons of internal politics made it impossible for Japan to accept it. Mr. Hughes asked me to see the Baron on the subject as soon as I conveniently could. I did so on the same evening—the 22nd January—accompanied by Sir Auckland Geddes and Sir Maurice Hankey.
3. I began by explaining that I regarded the mode of defining the *status quo* area, whether by verbal description or by tracing on a map, as a mere question of drafting convenience. If the Japanese objected for some unexplained reason to the tracing, the British Delegation was quite ready to use words instead. I still thought our common object could best be attained by using the map; but the matter was of trifling importance, and the anxieties of the Japanese must surely be due to some strange misapprehension. Baron Kato thereupon declared that public opinion in Japan, and even the Japanese Government, had clearly misunderstood the position. They were possessed, it would appear, by the mistaken idea that the tracing was a device of British origin and in some obscure way detrimental to Japanese interests.
4. Baron Kato then showed me the draft he had himself prepared, which I attach (Appendix 1). Alterations in this draft were then considered, the results of which are shown in Appendix 2. Baron Kato raised no objection to my proposal that for the purposes of the treaty the south-western boundary of the Pacific Ocean should be placed at 110° east longitude; and he assured me that no one in Japan had ever thought of including Singapore in the *status quo* area; just as Mr. Hughes had already observed that since that port was neither an island nor in the Pacific it was clearly unaffected by the treaty. The reference in Appendix 2 to the "Commonwealth of Australia and its Territories" met the Australian requirements, and the use of the phrase "*coast defences*" seemed appropriate to a clause dealing only with Naval bases.
5. On the forenoon of the 23rd January I had another conversation with Mr. Hughes, who concurred in the amendments I had made in Baron Kato's draft and indicated that the American Delegation wished to make it clear that the coast

* W.D.C.-183.

† W.D.C.-141.

of the United States included Alaska and the Panama zone, and that they had been advised that it was necessary to include the island of Okinawa-Oshima as well as Amami-Oshima as an island in which the *status quo* should be maintained.

6. The position at the present time is that the proposed Article XIX is being considered in the form shown in Appendix 3, in which form it was telegraphed to you in my telegram Delcon No. 295.* Mr. Hughes has desired that the *status quo* should apply not only to existing possessions, but also to possessions hereafter acquired by United States, the British Empire and Japan. His view also is that the definition of *status quo* should be applicable to *naval* facilities only, and that each Power should be free to develop commercially its ports in the Pacific. As I said in my telegram No. 294,† the American Delegation are willing to accept the definition given in Appendix 3 and I propose to do the same. Baron Kato is telegraphing it to Tokyo for approval. Pending the receipt of a reply from the Japanese Government all progress in completing the few outstanding details of the naval treaty is suspended.

7 In paragraph 6 of my despatch No. 16‡ I referred to a resolution which was being prepared by a drafting committee on the subject of a code of International rules in relation to new agencies of warfare. The resolution shown in Appendix 4 was adopted on the 20th January, but has not yet come before the full Committee on Limitation of Armament.

I am, &c.

A. J. BALFOUR

APPENDIX 1.

Baron Kato's Draft

THE United States of America, the British Empire and Japan agree that the *status quo* with regard to fortifications and naval bases shall be maintained in their respective territories specified hereunder :—

- 1 The insular possessions of the United States in the Pacific region, excepting (a) those adjacent to the coast of the United States, and (b) the Hawaiian Islands;
- 2 Hong Kong and the insular possessions and insular dominions of the British Empire in the Pacific region, excepting (a) those adjacent to the coast of Canada, as well as (b) Australia and New Zealand; and
3. Amami-Oshima, the Bonin Islands, Formosa and the Pescadores.

The maintenance of the *status quo* under the foregoing provisions implies that no new fortifications or naval bases shall be established in the territories specified, that no measures shall be taken to increase the existing facilities for the repair and maintenance of naval forces, and that no increase shall be made in the defences. This restriction, however, does not preclude such repair and replacement of worn-out weapons and equipment as is customary in naval and military establishments in time of peace.

APPENDIX 2.

Draft Proposed for Article XIX.

(Alterations to Baron Kato's Draft are in italics.)

THE United States of America, the British Empire and Japan agree that the *status quo* with regard to fortifications and naval bases shall be maintained in their respective territories specified hereunder :—

1. The insular possessions of the United States in the Pacific region, § excepting (a) those adjacent to the coast of the United States, and (b) the Hawaiian Islands;

* W.D.C.-164.

† W.D.C.-163.

‡ W.D.C.-183

§ This might well be altered to "Ocean," so as to correspond to (2). The reference to the meridian of 110° could be inserted or not, as desired.

2. Hong Kong, and the *insular possessions* of the British Empire situated in the Pacific Ocean and east of the meridian of 110° east longitude, except (a) those adjacent to the coast of Canada, (b) the Commonwealth of Australia and its Territories, (c) the Dominion of New Zealand,
3. Amami-Oshima, the Bonin Islands, Formosa and the Pescadores.

The maintenance of the *status quo* under the foregoing provisions implies that no new fortifications or naval bases shall be established in the territories specified; that no measures shall be taken to increase the existing facilities for the repair and maintenance of naval forces, and that no increase shall be made in the coast defences. This restriction, however, does not preclude such repair and replacement of worn-out weapons and equipment as is customary in naval and military establishments in time of peace

APPENDIX 3.

Draft Proposed for Article XIX.

(Handed by Mr. Hughes to Mr. Balfour, January 23, 1922, at 5-30 P M.)

THE United States of America, the British Empire and Japan agree that the *status quo* with regard to fortifications and naval bases shall be maintained in their respective territories specified hereunder:—

1. The insular possessions of the United States in the Pacific Ocean, now possessed or hereafter acquired, except (a) those adjacent to the coast of the United States, including Alaska and the Panama Canal Zone, and (b) the Hawaiian Islands,
2. Hong Kong and the insular possessions of the British Empire situated in the Pacific Ocean and east of the meridian of 110° east longitude, now possessed or hereafter acquired except (a) those adjacent to the coast of Canada, (b) the Commonwealth of Australia and its Territories, and (c) the Dominion of New Zealand,
3. The following insular possessions of Japan in the Pacific Ocean, to wit: Okinawa-Oshima, Amami-Oshima, the Bonin Islands, Formosa and the Pescadores and any insular possessions in the Pacific Ocean which Japan may hereafter acquire

The maintenance of the *status quo* under the foregoing provisions implies that no new fortifications or naval bases shall be established in the territories specified, that no measures shall be taken to increase the existing naval facilities for the repair and maintenance of naval forces, and that no increase shall be made in the coast defences of the territories above specified. This restriction, however, does not preclude such repair and replacement of worn-out weapons and equipment as is customary in naval and military establishments in time of peace.

APPENDIX 4.

Resolution for a Commission of Jurists.

(Adopted January 20, 1922, by the Sub-Committee of Five Powers)

(Confidential.)
(B.E.D.-188.)

THE United States of America, the British Empire, France, Italy and Japan have agreed:—

I. That a Commission composed of not more than two members representing each of the above-mentioned Powers shall be constituted to consider the following questions:—

- (a.) Do existing rules of International Law adequately cover new methods of attack or defence resulting from the introduction or development, since The Hague Conference of 1907, of new agencies of warfare?

(b.) If not so, what changes in the existing rules ought to be adopted in consequence thereof as a part of the law of nations?

II. That notices of appointment of the members of the Commission shall, within three months after the adjournment of the present Conference, be transmitted to the Government of the United States of America which, after consultation with the Powers concerned, will fix the day and place for the meeting of the Commission.

III. That the Commission shall be at liberty to request assistance and advice from experts in International Law, and in land, naval and aerial warfare.

IV. That the Commission shall report its conclusions to each of the Powers represented in its membership.

Those Powers shall thereupon confer as to the acceptance of the report and the course to be followed to secure the consideration of its recommendations by the other civilised Powers.

*Franklin Square Hotel, Washington, D.C.,
January 21, 1922.*

SECRET.

W.D.C.-202

71

CABINET.

WASHINGTON CONFERENCE ON LIMITATION OF ARMAMENT.

*Copy of Despatch (No. 19) from Mr. Balfour to the Prime Minister, dated
January 25, 1922.*

(Previous Papers, Nos. W.D.C -13, 14, 24, 47, 62, 63, 71, 95, 96, 116, 117, 123,
157, 158, 159, 183, 184 and 201.)

Sir,

Washington, January 25, 1922.

THE Committee on Pacific and Far Eastern Affairs has now passed under review the whole of the Agenda originally drafted by the United States Government. On most of these subjects it has recorded its opinion and its recommendations in the form of resolutions, the texts of which have been telegraphed to the Foreign Office. One or two questions, such as the Chinese Eastern Railway, Wireless Communications and the Arms Embargo, are still awaiting their final discussion; but, on the whole it may be said that the favourable rate of progress, commented on in my despatch No. 17* of the 20th January, has been well maintained, and that the end of our labours is within sight. Without, however, a satisfactory conclusion to the Shantung negotiations, there are indications that it will be impossible to reap the full benefit of all that has been done here since the Conference first met. The final concession which the Japanese are prepared to make with regard to the Shantung Railway has been submitted to the Government at Peking, and both the British and the American Ministers there have been desired by Mr. Hughes and myself to urge its acceptance in the strongest terms. We are now anxiously awaiting the decision of the Chinese.

Military Forces.

2. To return to the work of the Pacific and Far Eastern Committee, on the 20th January a resolution (Enclosure 1) was adopted expressing a hope that immediate and effective steps might be taken by the Chinese Government to reduce excessive military forces and expenditure. Sir R. Borden made an eloquent speech in support of this measure, of which a copy is enclosed (Enclosure 1A).

Status of Existing Commitments.

3. The Committee then returned to the question of the Status of Existing Commitments; and Mr. Hughes introduced a resolution in which the Conference Powers were called upon to file a list of all treaties, conventions, exchanges of notes, &c., made with China or about China, and of all important contracts between their nationals and the Chinese Government or any of its administrative subdivisions. The debate which followed indicated (a) that all the Powers agreed in principle with this proposal; (b) that they realised that the process of compiling and translating all such treaties and agreements might be a lengthy and a complicated one.

4. On the 21st January the discussion continued on the same subject; and eventually a redraft of the resolution proposed on the preceding day was adopted by the Committee (Enclosure 2). A telegram was at once despatched to the Foreign Office (No. 289)† asking that authoritative lists might be compiled as soon as possible in order to comply with the terms of the resolution.

5. An additional resolution (Enclosure 2), proposed by Mr. Root, was also adopted, by which the Signatory Powers declared that they would not support any agreement by their respective nationals with each other designed to create spheres of influence or to provide for the enjoyment of mutually exclusive opportunities in designated parts of Chinese territory

Chinese Eastern Railway.

6 On the 23rd January, after a touching tribute had been paid by Messrs. Hughes and Root and the French Ambassador, M. Jusserand, to the memory of Lord Bryce, the Sub-Committee's report on the Chinese Eastern Railway (see Enclosure 3) was presented to the Committee by Mr. Hughes, and was referred without discussion to a Sub-Committee of full Delegates. The question thus remains for the moment in abeyance. As this subject is an intricate one, and has not yet been dealt with by the Conference, I propose to defer consideration of it for the present.

Chinese Proposals.

7 Two points in the Chinese "proposals" (see B.E.D. Paper No. 86*) of the 16th November were then dealt with. The first of these, No. 6 on the Chinese list, runs as follows —

“Reasonable, definite terms of duration are to be attached to China's present commitments, which are without time limits.”

The Chinese Delegation asked for publicity, a reconciliation of conflicting concessions and for some machinery which would test the validity of commitments. But it was the view of the Committee that this paragraph was not sufficiently precise to provide matter for discussion, and that if the Chinese Delegation wished to pursue the matter they should state more specifically what they had in mind. No. 7 of the Chinese proposals runs as follows —

“In the interpretation of instruments granting special rights or privileges, the well-established principle of construction, that such grants shall be strictly construed in favour of the grantors, is to be observed.”

The Chairman ruled that this principle was already well established, and could hardly be discussed unless specific points were brought up

Siberia.

8. The Committee next embarked on the subject of Siberia, and the Japanese Delegation read a long statement (see Enclosure No. 4) reviewing the history of their intervention in Siberia, and terminating with an assurance that “It is the fixed and settled policy of Japan to respect the territorial integrity of Russia and to observe the principle of non-intervention in the internal affairs of that country, as well as the principle of equal opportunity for the commerce and industry of all nations in every part of the Russian possessions.” The occupation of North Saghalien, they stated, was on a different footing, and was an act of reprisal for the 1920 massacre at Nikolaievsk, which would terminate on the settlement of that question with a responsible Russian Government

9. On the 24th January, the discussion of the Siberian question was continued, and Mr. Hughes read a long statement (Enclosure No. 4A) explaining the point of view of the American Government. After a short speech by M. Sarraut, of the French Delegation, emphasising France's special position as Russia's oldest ally, the following resolution was moved by Mr. Hughes and formally adopted —

“That the statements by the Japanese and American Delegations in respect to the presence of foreign troops in Siberia be reported to the Conference at its next plenary session to be spread upon its records.”

Arms Embargo.

10. The Committee then passed on to the question of the Arms Embargo in China, and the question of Wireless Communications.

Wireless Communications.

The latter subject had been first touched upon in the resolution laid before the Committee by M. Viviani as long ago as the 7th December (see B.E.D. No. 133*). Since then a scheme has been set afoot for combining the wireless interests of the competing companies. In this matter I have been greatly assisted by the expert advice of Mr. Brown of this Delegation. For the moment the question is still in the embryonic stage, and I prefer to reserve it for fuller report on a later occasion.

Arms Embargo.

11 The resolution concerning the Arms Embargo I myself introduced at the instance of the Foreign Office Section of the Delegation, who considered that action by the Conference would strengthen the policy of His Majesty's Government in insisting upon the strict fulfilment of the 1919 Agreement to withhold the supply of arms from China until a united and stable Government is established. Certain of the Delegations concerned have applied for instructions on the subject from their Governments, and in the meanwhile the matter is left in abeyance.

Mandated Islands.

12. The heading "Mandated Islands" in the original American Agenda was also alluded to. It was decided that the question of islands north of the Equator had been satisfactorily disposed of by the Japanese-American Agreement over Yap, the question of the islands south of the Equator might be left over for direct discussion between Great Britain and the United States of America

Submarine Cables

13. Under the original heading "Electrical Communications in the Pacific," the questions of (a) submarine cables, (b) wireless communications were included. On the question of the submarine cables, a provisional agreement had been reached between the United States of America and Japan. The Chairman stated that this Agreement would be submitted for the approval of the other Allied Powers, and need not occupy the attention of the Committee. With the question of wireless communications I have already dealt in paragraph No. 10 above.

14. The labours of the Pacific and Far Eastern Committee, summarised in the preceding paragraphs, have already been notified to Lord Curzon in my telegrams No. 284† of the 20th January, Nos 287‡ and 288§ of the 21st January, and No. 292|| of the 23rd January.

Shantung.

15. As regards the Shantung negotiations, it becomes increasingly apparent that the success of the Conference as a whole largely depends on their successful issue; and I am still unable to predict with any certainty a settlement of this long controversy.

16. I have already outlined in my last despatch the steps taken by Mr. Hughes and myself in our efforts to find a way out of the *impasse* which has arisen in the matter of the Shantung Railway. These private conversations were continued on Friday, Saturday and Sunday (20th, 21st and 22nd January) and records of what passed are being forwarded to you by to-day's bag. (S.W. Papers, Nos. 36,¶ 37,¶ 38,¶ 39,¶ 40,¶ 41¶ and 42.¶)

17. The principal difficulty to be surmounted has been that of the expert staff to be attached to the Railway Administration. At first, the Japanese had asked for a Japanese Chief Engineer, Chief Accountant and Traffic Manager. They have now waived the demand for the Chief Engineer, and have accepted the principle of a co-ordinate Chief Accountant. But on the question of the Traffic Manager they have held firm.

18. During the course of my private conversations with the Japanese Delegates on the 20th January, Sir Maurice Hankey suggested to me that the difficulty might be disposed of by China agreeing to accept a Japanese Traffic Manager during the first half of the five years that the Japanese were to retain their interest in the line, and a Chinese Traffic Manager during the second half. In laying this proposal before the Japanese Delegates, I modified the original suggestion so as to make it

* Reproduced as W.D.C.-204. † W.D.C.-156. ‡ No. 1 in W.D.C.-153.

§ No. 2 in W.D.C.-153. ¶ W.D.C.-161.

¶ Reproduced as W.D.C.-205, 209, 210, 211, 212, 213 and 214 respectively.

run: (1) that there should be joint Chinese and Japanese Chief Accountants; (2) that a Japanese Traffic Manager should be appointed for the whole of the five years; (3) that during the last half of this period there should be a Chinese Traffic Manager associated with the Japanese traffic, but in a subordinate capacity, with a view to his taking over the line at the end of the five years if the Chinese Government availed themselves of their right of redemption.

19. The next day, the 21st January, the Japanese Delegates informed me that this arrangement was one which they felt they could not reject. I at once informed the Secretary of State; and it was agreed that on this basis we should act in concert during the course of the conversation with the Chinese Delegates, which was to take place on the following day.

20. Accordingly, on Sunday, the 22nd January, Mr. Hughes and I met the Chinese Delegates. The conversation, which was admirably conducted by Mr. Hughes, has, I trust, gone far towards convincing the Chinese Delegates that they would be well advised to accept a settlement on the above lines.

21. Mr. Hughes spoke most emphatically, not only in his own name and that of the American Delegation, but in that of President Harding and the American Government. He pointed out that China had now a very favourable opportunity for accepting a settlement, an opportunity such as might not occur again. He indicated how the points at issue between the two countries had narrowed down to that of the appointment of the Traffic Manager; and he assured the Chinese Delegates that this could almost certainly be arranged on the lines of the compromise indicated. The responsibility, he said, rested with China; and if this settlement failed, the loss would be irreparable. An agreement, if reached, would be announced in public conference, which would put behind it the pressure of the public opinion of the world.

I strongly supported Mr. Hughes's arguments.

22. The Chinese Delegates asked for time to consult their Government, but promised to press for an urgent reply. At the same time, Mr. Hughes and I agreed that we would cable simultaneously and in similar terms to the American and British Ministers at Peking. Accordingly, telegrams outlining the position, and desiring the British and American representatives at Peking to urge the Chinese Government to accept the compromise were drawn up in consultation (Enclosure 5). Owing to the urgency of the circumstances, I felt justified in communicating this message direct to Sir B. Alston without previous consultation with the Foreign Office, a procedure which would have involved inevitable delay.

23. We are now awaiting the Chinese reply. It is undoubtedly unfortunate that the position at Peking should be so obscure at this critical time. According to newspaper reports, which are confirmed in the main by information received from Peking by the State Department, the Premier, Liang Shih Yi, has taken temporary leave of absence. This is doubtless a result of the movement headed by General Wu-Pei-fu, who appears to be taking a very strong line on the Shantung issue; and, viewed from a distance, there seems a real danger that there may be no Chinese statesman with sufficient courage to assume the responsibility of settling with Japan on the only terms available.

24. Apart from these negotiations behind the scenes, the regular conversations on the Shantung question have continued between the Japanese and Chinese Delegates. A résumé of these discussions will be found in Enclosure 6. With the important exception of the railway, all the chief questions at issue between the two countries regarding Shantung have now been provisionally settled. A satisfactory agreement was reached on the 23rd January on the subject of the salt fields in Kiaochow Bay, a matter which at one time had seemed likely to give trouble. This has already been reported to the Foreign Office in my telegram No. 297* of the 24th January.

(Signed) I am, &c.
A. J. BALFOUR. .

Enclosure 1.

MILITARY FORCES IN CHINA.

(Confidential.)
(B.E.D.-186.)

*(Resolution adopted by the Committee on Pacific and Far Eastern Questions,
Friday, January 20, 1922, 3 P.M.)*

“Whereas the Powers attending this Conference have been deeply impressed with the severe drain on the public revenue of China through the maintenance in various parts of the country of military forces, excessive in number and controlled by the military chiefs of the provinces without co-ordination;

“And whereas the continued maintenance of these forces appears to be mainly responsible for China’s present unsettled political conditions;

“And whereas it is felt that large and prompt reductions of these forces will not only advance the cause of China’s political unity and economic development, but will hasten her financial rehabilitation;

“Therefore, without any intention to interfere in the internal problems of China, but animated by the sincere desire to see China develop and maintain for herself an effective and stable Government alike in her own interest and in the general interest of trade;

“And being inspired by the spirit of this Conference, whose aim is to reduce, through the limitation of armament, the enormous disbursements which manifestly constitute the greater part of the encumbrance upon enterprise and national prosperity,

“It is therefore resolved: That this Conference express to China the earnest hope that immediate and effective steps may be taken by the Chinese Government to reduce the aforesaid military forces and expenditures.”

*Franklin Square Hotel, Washington, D.C.,
January 20, 1922.*

Enclosure 1A.

*Statement by Sir Robert Borden, made at Meeting of Far Eastern Committee,
January 20, 1922.*

“The resolution* now presented was inspired by sincere and earnest desire to aid the purpose of the Chinese people in establishing a stable Government and in freeing the country from the incubus of excessive militarism. The appointment of Military Governors for the provinces, which was initiated shortly after the inception of the Republic by the then President, Yuan Shih Kai, has had an unfortunate effect and operation since his death. The power of these Governors has increased to such an extent that the Central Government at Peking exercises very little control over a large part of the country. In fact, the Military Governors have become military dictators within their respective provinces or spheres of influence; they recruit and maintain their own armies; they form combinations among themselves and struggle for ascendancy, and at intervals they dictate the personnel and policy of the Central Government. That Government possesses very little authority in comparison with the power of the Military Governors, and is only recognised by the latter in so far as it suits their interests. This system has continued in force for several years, although it is entirely alien to the habits and traditions of the Chinese people. Up to the present, there has been an unfortunate lack of such organising capacity as would establish a strong and stable Central Government and bring the country once more under its effective direction and control. For such a purpose the provision of great revenues or the placing of large funds at the disposal of a weak administration

* Resolution on Chinese Military Expenditure.

is not of itself effective. So long as the Military Governors retain their present dominating authority and influence, such financial resources would probably be absorbed to a very great extent by these military chiefs instead of being employed to cut down their power.

"Exact accuracy in any statistics of military forces and expenditure in China at the present time cannot be expected; but reasonable estimates place the total number of men under arms at not less than 1,000,000; at least, the pay-roll probably includes that number. It is confidently asserted that more than half of the total revenues of the country are employed in the upkeep of these forces. They have not been raised for the defence of the country against outside aggression, on the contrary, they are really maintained for the purpose of civil war, and when on active service they are fighting against their own countrymen enlisted under the banner of some other military chieftains. In one province, which is said to be exceptionally well governed by a man who devotes his whole attention to the welfare and prosperity of his district, a considerable military force maintained as a necessity to his prestige is made to do duty in the construction of excellent roads. In that province the progress and advancement of the people are said to be quite remarkable, and they give an illustration of what the Chinese people may accomplish under good government.

"The forces enlisted under the various military chieftains are said to regard their military duties as entirely occupational, and it is believed that they would be quite ready to accept employment in the construction of railways, highways, and otherwise, provided the arrears in their pay were made good.

"The weakness, and, indeed, the impotency, of the Central Government, so far as a great portion of the country is concerned, must necessarily be a matter of concern to the other Powers. The Chinese people have developed a high civilisation which, in some of its characteristics, affords a notable lesson to the nations of the West. They have behind them centuries of splendid tradition, a great development of art and of literature. At present they are passing through a period of transition from the autocratic rule of an ancient dynasty to the development of advanced democratic institutions. There is no occasion for surprise that, under these circumstances, the conditions to which I have alluded should have arisen. It might rather have been anticipated that the disorders and the instability would have been more pronounced. But among all the tumult and the fluctuations attending the development of democracy in China, the attachment of the people to the soil and their untiring industry have remained unchanged. One might adapt the words of a well-known quotation:—

‘ They hear the legions thunder past,
‘ Then plunge in toil again.’

"Notwithstanding the present conditions, let no one fear for the future of the Chinese people. It has sometimes been thought that they would be absorbed by other nations. In my judgment, they are more likely to absorb than to be absorbed. The mere passive resistance of that vast nation of 400,000,000 is powerful to protect it. Out of the present disorders will eventually arise a permanent system of stable Government, and China will take her deserved and well-recognised place among the Great Powers of the World. This cannot be accomplished for China by any other nation or group of nations. External beneficent influences may aid, but in the end the Chinese people must work out their own political salvation; there is abundant reason to believe that they can and will accomplish this. In the meantime, it is the duty of other nations, and that duty has been exemplified in the work of this Conference, to lend a helping hand wherever that may be possible to remove hampering restrictions as soon as practicable and to give every assistance and encouragement for the political regeneration of this illustrious people."

Enclosure 2.

(B.E.D.-189.)

RESOLUTION ON THE TABLING OF EXISTING COMMITMENTS

*(Adopted at a Meeting of the Committee on Pacific and Far Eastern Questions
on Saturday, January 21, 1922, at 11 A.M.)*

(Previous Papers, B.E.D.-184 and 187.)

THE Powers represented in this Conference, considering it desirable that there should hereafter be full publicity with respect to all matters affecting the political and other international obligations of China and of the several Powers in relation to China, are agreed as follows.—

1. The several Powers other than China will, at their earliest convenience, file with the Secretariat-General of the Conference for transmission to the participating Powers a list of all treaties, conventions, exchanges of notes, or other international agreements which they may have with China, or with any other Power or Powers in relation to China, which they deem to be still in force and upon which they may desire to rely. In each case, citations will be given to any official or other publication in which an authoritative text of the documents may be found. In any case in which the document may not have been published, a copy of the text (in its original language or languages) will be filed with the Secretariat-General of the Conference.

Every treaty or other international agreement of the character described, which may be concluded hereafter, shall be notified by the Governments concerned within sixty (60) days of its conclusion to the Powers who are signatories of or adherents to this Agreement.

2. The several Powers other than China will file with the Secretariat-General of the Conference, at their earliest convenience, for transmission to the participating Powers a list, as nearly complete as may be possible, of all those contracts between their nationals, of the one part, and the Chinese Government or any of its administrative sub-divisions, of the other part, or local authorities, which involve any concession, franchise, option or preference with respect to railway construction, mining, forestry, navigation, river conservancy, harbour works, reclamation, electrical communications, or other public works or public services, or for the sale of arms or ammunition, or which involve a lien upon any of the public revenues or properties of the Chinese Government or of any of its administrative sub-divisions. There shall be, in the case of each document so listed, either a citation to a published text or a copy of the text itself.

Every contract of the public character described, which may be concluded hereafter, shall be notified by the Governments concerned within sixty (60) days after receipt of information of its conclusion to the Powers who are signatories of or adherents to this Agreement.

3. The Chinese Government undertakes to notify, in the conditions laid down in this Agreement, every Treaty, Agreement or Contract of the character indicated herein which has been or may hereafter be concluded by that Government or by any Local Authority in China with any foreign Power or the nationals of any foreign Power, whether party to this Agreement or not, so far as the information is in its possession.

4. The Governments of Powers having treaty relations with China, which are not represented at the present Conference, shall be invited to adhere to this Agreement.

The United States Government, as convener of the Conference, undertakes to communicate this Agreement to the Governments of the said Powers, with a view to obtaining their adherence thereto as soon as possible.

The following additional resolution, proposed by Mr. Root, was also adopted:—

“Resolved, that the Signatory Powers will not support any Agreement by their respective nationals with each other designed to create spheres of influence or to provide for the enjoyment of mutually exclusive opportunities in designated parts of Chinese territory.”

*Franklin Square Hotel, Washington, D.C.,
January 21, 1922.*

Enclosure 3.

(Confidential.)
(B.E.D.-190.)

REPORT OF TECHNICAL SUB-COMMITTEE ON THE CHINESE EASTERN RAILWAY.

THE attached report will probably be presented to the Committee on Pacific and Far Eastern Affairs at the meeting to be held on Monday, the 23rd January, at 11 A.M.

(Signed) M. P. A. HANKEY, *Secretary,*
British Empire Delegation.

Franklin Square Hotel, Washington, D.C.,
January 22, 1922.

REPORT OF TECHNICAL SUB-COMMITTEE ON THE CHINESE EASTERN RAILWAY.

The Chinese Eastern Railway being an indispensable factor in the economic development of Siberia, as well as Northern Manchuria, and constituting an essential link in a trans-continental railway system of international importance, the nations represented at this Conference are interested in its preservation, its efficient operation, and its maintenance as a free avenue of commerce, open to the citizens of all countries without favour or discrimination.

The status of the Chinese Eastern Railway is determined by the contract concluded in 1896 between China and the Russo-Chinese (Russo-Asiatic) Bank and the contract concluded in 1898 between China and the Chinese Eastern Railway Company, and subsequent contracts between China and that company. The necessary funds for its construction were furnished by the Russian Government, and it was built under the direction and supervision of that Government, acting through the Chinese Eastern Railway Company. The railway is in effect the property of the Russian Government. China has certain ultimate reversionary rights which are provided for in the original contract of 1896.

The absence of a recognised Russian Government since 1917 has made imperative for some time past certain measures providing for the preservation and continued operation of the railway. Early in 1919—as a consequence of assistance which had been given to Russia, at her request, in the operation of the entire Trans-Siberian system, including the Chinese Eastern Railway—certain Powers, which are represented at this Conference, undertook to continue this assistance upon definite terms. An Agreement was concluded in January 1919 between the United States and Japan, under the terms of which China, France, Great Britain and Italy subsequently co-operated. The fundamental purpose of the arrangement thus brought about was explicitly declared to be the temporary operation of the railways in question with a view to their ultimate return to those in interest without the impairing of any existing rights.

The trusteeship thus assumed continues in force. Changes which have intervened since 1919 render necessary readjustments in its mode of operation.

The three principal problems are :—

1. Finance.
2. Operation.
3. Police.

1. As to the first, it is to be observed that funds will be obtainable from bankers and other outside sources only if suitable conditions are established for the economical operation of the railway and if the funds provided are to be expended under adequate supervision. A suitable manner of providing such supervision, in the opinion of the Committee, would be to establish at Harbin a Finance Committee, to consist of one representative each of the Powers represented at the Conference (so far as they might care to participate). This Committee would replace the so-called Inter-Allied Committee now established at Vladivostock and the so-called Technical Board at Harbin. It should exercise general financial control and be entrusted with the exercise of the trusteeship which was assumed in 1919 and which cannot be discharged until the general recognition by the Powers of a Russian Government.

2. As to operation, in order to disturb as little as possible the normal situation, this should, in the opinion of the Committee, be left in the hands of the Chinese

Eastern Railway Company, the Finance Committee not to interfere with the technical operation of the railway, except so far as may be necessary to meet the conditions stated in the first sentence of paragraph 1.

3. The protection of the railway property and the maintenance of public order within the railway zone are of fundamental importance. In order to assure these, it is necessary to provide a dependable and effective police force or gendarmerie. As the railway zone lies within Chinese territory, this could be made to consist, if China so desired, of Chinese, but it would be essential, in the opinion of the Committee, that—as a temporary and exceptional measure, justified alike by existing conditions and the precedent of a Russian guard—this police or gendarmerie should be paid by and remain under the control of the Finance Committee, as this body would be responsible under the trusteeship for the preservation of the property of the railway and the maintenance of conditions suitable to unhampered operation.

January 20, 1922.

Enclosure 4.

(Confidential)
(B.E.D.-194.)

Japanese Policy in Siberia.

THE attached is a copy of the statement made by Baron Shidehara on Japanese policy in Siberia at the meeting of the Committee on Pacific and Far Eastern Affairs held this morning.

(Signed) M. P. A. HANKEY, *Secretary,*
British Empire Delegation.

Franklin Square Hotel, Washington, D.C.,
January 23, 1922.

THE Military expedition of Japan to Siberia was originally undertaken in common accord and in co-operation with the United States in 1918. It was primarily intended to render assistance to the Czecho-Slovak troops who in their homeward journey across Siberia from European Russia, found themselves in grave and pressing danger at the hands of hostile forces under German command. The Japanese and American expeditionary forces together with other allied troops fought their way from Vladivostock far into the region of the Amur and the Trans-Baikal Provinces to protect the railway lines which afforded the sole means of transportation of the Czecho-Slovak troops from the interior of Siberia to the port of Vladivostock. Difficulties which the Allied forces had to encounter in their operations in the severe cold winter of Siberia were immense.

In January 1920, the United States decided to terminate its military undertaking in Siberia, and ordered the withdrawal of its forces. For some time thereafter, Japanese troops continued alone to carry out the duty of guarding several points along the Trans-Siberian Railways in fulfilment of Inter-Allied arrangements, and of affording facilities to the returning Czecho-Slovaks.

The last column of Czecho-Slovak troops safely embarked from Vladivostock in September 1920. Ever since then, Japan has been looking forward to an early moment for the withdrawal of her troops from Siberia. The maintenance of such troops in a foreign land is for her a costly and thankless undertaking, and she will be only too happy to be relieved of such responsibility. In fact, the evacuation of the Trans-Baikal and the Amur Provinces was already completed in 1920. The only region which now remains to be evacuated is a southern portion of the Maritime Province around Vladivostock and Nikolsk.

It will be appreciated that for Japan the question of the withdrawal of troops from Siberia is not quite as simple as it was for other Allied Powers. In the first place, there is a considerable number of Japanese residents who had lawfully and under guarantees of treaty established themselves in Siberia long before the Bolshevik eruption, and were there entirely welcomed. In 1917, prior to the Joint American-Japanese military enterprise, the number of such residents was already no less than 9,717. In the actual situation prevailing there, those Japanese residents can hardly be expected to look for the protection of their lives and property to any other

authorities than Japanese troops. Whatever districts those troops have evacuated in the past have fallen into disorder, and practically all Japanese residents have had precipitately to withdraw, to seek for their personal safety. In so withdrawing, they have been obliged to leave behind large portions of their property, abandoned and unprotected, and their homes and places of business have been destroyed. While the hardships and losses thus caused the Japanese in the Trans-Baikal and the Amur provinces, have been serious enough, more extensive damages are likely to follow from the evacuation of Vladivostock in which a larger number of Japanese have always been resident and a greater amount of Japanese capital invested.

There is another difficulty by which Japan is faced in proceeding to the recall of her troops from the Maritime Province. Due to geographical propinquity, the general situation in the districts around Vladivostock and Nikolsk is bound to affect the security of Korean frontier. In particular, it is known that these districts have long been the base of Korean conspiracies against Japan. These hostile Koreans, joining hand with lawless elements in Russia, attempted in 1920 to invade Korea through the Chinese territory of Chientao. They set fire to the Japanese Consulate at Hunchu, and committed indiscriminate acts of murder and pillage. At the present time, they are under the effective control of Japanese troops stationed in the Maritime Province, but they will no doubt renew the attempt to penetrate into Korea at the first favourable opportunity that may present itself.

Having regard to those considerations, the Japanese Government have felt bound to exercise precaution in carrying out the contemplated evacuation of the Maritime Province. Should they take hasty action without adequate provision for the future they would be delinquent in their duty of affording protection to a large number of their nationals resident in the districts in question and of maintaining order and security in Korea.

It should be made clear that no part of the Maritime Province is under Japan's military occupation. Japanese troops are still stationed in the southern portion of that Province, but they have not set up any civil or military administration to displace local authorities. Their activity is confined to measures of self-protection against the menace to their own safety and to the safety of their country and nationals. They are not in occupation of those districts any more than American or other Allied troops could be said to have been in occupation of the places in which they were formerly stationed.

The Japanese Government are anxious to see an orderly and stable authority speedily re-established in the Far Eastern possessions of Russia. It was in this spirit that they manifested a keen interest in the patriotic but ill-fated struggle of Admiral Kolchak. They have shown readiness to lend their good offices for promoting the reconciliation of various political groups in Eastern Siberia. But they have carefully refrained from supporting one faction against another. It will be recalled, for instance, that they withheld all assistance from General Rozanow against the revolutionary movements which led to his overthrow in January 1920. They maintained an attitude of strict neutrality, and refused to interfere in these movements, which it would have been quite easy for them to suppress, if they had so desired.

In relation to this policy of non-intervention, it may be useful to refer briefly to the past relations between the Japanese authorities and Ataman Semenov, which seem to have been a source of popular misgiving and speculation. It will be remembered that the growing rapprochement between the Germans and the Bolshevik Government in Russia in the early part of 1918 naturally gave rise to apprehensions in the Allied countries that a considerable quantity of munitions supplied by those countries and stored in Vladivostock might be removed by the Bolsheviks to European Russia, for the use of the Germans. Ataman Semenov was then in Siberia and was organising a movement to check such Bolshevik activities and to preserve order and stability in that region. It was in this situation that Japan, as well as some of the Allies, began to give support to the Cossack Chief. After a few months, such support by the other Powers was discontinued. But the Japanese were reluctant to abandon their friend, whose efforts in the Allied cause they had originally encouraged: and they maintained for some time their connection with Ataman Semenov. They had, however, no intention whatever of interfering in the domestic affairs of Russia, and when it was found that the assistance rendered to the Ataman was likely to complicate the internal situation in Siberia, they terminated all relations with him and no support of any kind has since been extended to him by the Japanese authorities.

The Japanese Government are now seriously considering plans which would justify them in carrying out their decision of the complete withdrawal of Japanese troops from the Maritime Province, with reasonable precaution for the security of Japanese residents and of the Korean frontier regions. It is for this purpose that negotiations were opened some time ago at Dairen between the Japanese representatives and the agents of the Chita Government.

Those negotiations at Dairen are in no way intended to secure for Japan any right or advantage of an exclusive nature. They have been solely actuated by a desire to adjust some of the more pressing questions with which Japan is confronted in relation to Siberia. They have essentially in view the conclusion of provisional commercial arrangements, the removal of the existing menace to the security of Japan and to the lives and property of Japanese residents in Eastern Siberia, the provision of guarantees for the freedom of lawful undertakings in that region and the prohibition of Bolshevik propaganda over the Siberian border. Should adequate provisions be arranged on the line indicated, the Japanese Government will at once proceed to the complete withdrawal of Japanese troops from the Maritime Province.

The occupation of certain points in the Russian Province of Sakhalin is wholly different, both in nature and in origin, from the stationing of troops in the Maritime Province. History affords few instances similar to the incident of 1920 at Nikolaievsk, where more than 700 Japanese, including women and children, as well as the duly recognised Japanese Consul and his family and his official staff were cruelly tortured and massacred. No nation worthy of respect will possibly remain forbearing under such a strain of provocation. Nor was it possible for the Japanese Government to disregard the just popular indignation aroused in Japan by the incident. Under the actual condition of things, Japan found no alternative but to occupy, as a measure of reprisal, certain points in the Russian Province of Sakhalin in which the outrage was committed, pending the establishment in Russia of a responsible authority with whom she can communicate in order to obtain due satisfaction.

Nothing is further from the thought of the Japanese Government than to take advantage of the present helpless conditions of Russia for prosecuting selfish designs. Japan recalls with deep gratitude and appreciation the brilliant rôle which Russia played in the interest of civilisation during the earlier stage of the Great War. The Japanese people have shown and will continue to show every sympathetic interest in the efforts of patriotic Russians aspiring to the unity and rehabilitation of their country. The military occupation of the Russian Province of Sakhalin is only a temporary measure, and will naturally come to an end as soon as a satisfactory settlement of the question shall have been arranged with an orderly Russian Government.

In conclusion, the Japanese Delegation is authorised to declare that it is the fixed and settled policy of Japan to respect the territorial integrity of Russia, and to observe the principle of non-intervention in the internal affairs of that country, as well as the principle of equal opportunity for the commerce and industry of all nations in every part of the Russian possessions.

Enclosure 4A.

Conference on the Limitation of Armament.

January 24, 1922.

The twenty-fifth meeting of the Committee on Pacific and Far Eastern Questions was held Tuesday morning, the 24th January, 1922, at 11 o'clock, in the Pan-American Building.

The Chairman (Mr. Hughes) made the following statement:—

The American Delegation has heard the statement by Baron Shidehara and has taken note of the assurances given on behalf of the Japanese Government with respect to the withdrawal of Japanese troops from the Maritime Province of Siberia and from the Province of Sakhalin. The American Delegation has also noted the assurance of Japan by her authorised spokesman that it is her fixed and settled policy to respect the territorial integrity of Russia, and to observe the principle of non-intervention in the internal affairs of that country, as well as the principle of equal opportunity for the commerce and industry of all nations in every part of the Russian possessions.

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These assurances are taken to mean that Japan does not seek, through her military operation in Siberia, to impair the rights of the Russian people in any respect, or to obtain any unfair commercial advantages, or to asorb for her own use the Siberian fisheries, or to set up an exclusive exploitation either of the resources of Sakhalin or of the Maritime Province.

As Baron Shidehara pointed out, the military expedition of Japan to Siberia was originally undertaken in common accord and in co-operation with the United States. It will be recalled that public assurances were given at the outset by both Governments of a firm intention to respect the territorial integrity of Russia and to abstain from all interference in Russian internal politics. In view of the reference by Baron Shidehara to the participation of the American Government in the expedition of 1918, I should like to place upon our records for transmission to the Conference the purposes which were then clearly stated by both Governments.

The American Government set forth its aims and policies publicly in July 1918. The purposes of the expedition were said to be, first, to help the Czecho-Slovaks consolidate their forces; second, to steady any efforts at self-government or self-defence in which the Russians themselves might be willing to accept assistance; and, third, to guard the military stores at Vladivostock.

The American Government opposed the idea of a military intervention, but regarded military action as admissible at the time solely for the purpose of helping the Czecho-Slovaks consolidate their forces and get into successful co-operation with their Slavic kinsmen, and to steady any efforts at self-government or self-defence in which the Russians themselves might be willing to accept assistance. It was stated that the American Government proposed to ask all associated in this course of action to unite in assuring the people of Russia in the most public and solemn manner that none of the Governments uniting in action either in Siberia or in Northern Russia contemplated any interference of any kind with the political sovereignty of Russia, any intervention in her internal affairs, or any impairment of her territorial integrity either now or hereafter, but that each of the Associated Powers had the single object of affording such aid as should be acceptable, and only such aid as should be acceptable, to the Russian people in their endeavour to regain control of their own affairs, their own territory and their own destiny.

What I have just stated is found in the public statement of the American Government at that time.

The Japanese Government, with the same purpose, set forth its position in a statement published by the Japanese Government on the 2nd August, 1918, in which it was said.—

“The Japanese Government, being anxious to fall in with the desires of the American Government, and also to act in harmony with the Allies in this expedition, have decided to proceed at once to dispatch suitable forces for the proposed mission. A certain number of these troops will be sent forthwith to Vladivostock. In adopting this course, the Japanese Government remain unshaken in their constant desire to promote relations of enduring friendship with Russia and the Russian people, and reaffirm their avowed policy of respecting the territorial integrity of Russia and of abstaining from all interference in her internal politics. They further declare that, upon the realisation of the projects above indicated, they will immediately withdraw all Japanese troops from Russian territory and will leave wholly unimpaired the sovereignty of Russia in all its phases, whether political or military.”

The United States of America withdrew its troops from Siberia in the spring of 1920, because it considered that the original purposes of the expedition had either been accomplished or would no longer be subserved by continued military activity in Siberia. The American Government then ceased to be a party to the expedition, but it remained a close observer of events in Eastern Siberia and has had an extended diplomatic correspondence upon this subject with the Government of Japan.

It must be frankly avowed that this correspondence has not always disclosed an identity of views between the two Governments. The United States has not been unmindful of the direct exposure of Japan to Bolshevism in Siberia and the special problems which the conditions existing there have created for the Japanese Governments, but it has been strongly disposed to the belief that the public assurances given by the two Governments at the inception of the joint expedition nevertheless required the complete withdrawal of Japanese troops from all Russian territory—if not immediately after the departure of the Czecho-Slovak troops, then within a reasonable time.

As to the occupation of Sakhalin in reprisal for the massacre of the Japanese at Nikolaievsk, the United States was not unimpressed by the serious character of that catastrophe; but, having in mind the conditions accepted by both Governments at the outset of the joint expedition, of which the Nikolaievsk massacre must be considered an incident, it has regretted that Japan should deem necessary the occupation of Russian territory as a means of assuring a suitable adjustment with a future Russian Government.

The general position of the American Government was set forth in a communication to Japan of the 31st May, 1921. In that communication appears the following statement :—

“ The Government of the United States would be untrue to the spirit of co-operation which led it, in the summer of 1918, upon an understanding with the Government of Japan, to dispatch troops to Siberia, if it neglected to point out that, in its view, continued occupation of the strategic centres in Eastern Siberia—involving the indefinite possession of the port of Vladivostock, the stationing of troops at Habarovsk, Nikolaievsk, De Castries, Mago, Sophiesk and other important points, the seizure of the Russian portion of Sakhalin, and the establishment of a civil administration, which inevitably lends itself to misconception and antagonism—tends rather to increase than to allay the unrest and disorder in that region.

“ The military occupation ”—I am still reading from the note of the 31st May, 1921—“ the military occupation in reprisal for the Nikolaievsk affair is not fundamentally a question of the validity of procedure under the recognised rules of international law.”

The note goes on to say that “ the issue presented is that of the scrupulous fulfilment of the assurances given to the Russian people, which were a matter of frank exchanges and of apparently complete understanding between the Government of the United States and of Japan. These assurances were intended by the Government of the United States to convey to the people of Russia a promise on the part of the two Governments not to use the joint expedition, or any incidents which might arise out of it, as an occasion to occupy territory, even temporarily, or to assume any military or administrative control over the people of Siberia.”

Further, in the same note, the American Government stated its position as follows :—

“ In view of its conviction that the course followed by the Government of Japan brings into question the very definite understanding concluded at the time troops were sent to Siberia, the Government of the United States must in candour explain its position and say to the Japanese Government that the Government of the United States can neither now nor hereafter recognise as valid any claims or titles arising out of the present occupation and control, and that it cannot acquiesce in any action taken by the Government of Japan which might impair existing treaty rights or the political or territorial integrity of Russia.

“ The Government of Japan will appreciate that, in expressing its views, the Government of the United States has no desire to impute to the Government of Japan motives or purposes other than those which have heretofore been so frankly avowed. The purpose of this Government is to inform the Japanese Government of its own conviction that, in the present time of disorder in Russia, it is more than ever the duty of those who look forward to the tranquillisation of the Russian people, and a restoration of normal conditions among them, to avoid all action which might keep alive their antagonism and distrust towards outside political agencies. Now, especially, it is incumbent upon the friends of Russia to hold aloof from the domestic contentions of the Russian people, to be scrupulous to avoid inflicting what might appear to them a vicarious penalty for sporadic acts of lawlessness, and above all to abstain from even the temporary and conditional impairment by any foreign Power of the territorial status which, for them as for other peoples, is a matter of deep and sensitive national feeling transcending perhaps even the issues at stake among themselves.”

To that American note the Japanese Government replied in July 1921, setting forth in substance what Baron Shidehara has now stated to this Committee, pointing out the conditions under which Japan had taken the action to which reference was

made, and giving the assurances, which have here been reiterated, with respect to its intention and policy.

While the discussion of these matters has been attended with the friendliest feeling, it has naturally been the constant and earnest hope of the American Government—and of Japan as well, I am sure—that this occasion for divergence of views between the two Governments might be removed with the least possible delay. It has been with a feeling of special gratification, therefore, that the American Delegation has listened to the assurances given by their Japanese colleague, and it is with the greatest friendliness that they reiterate the hope that Japan will find it possible to carry out within the near future her expressed intention of terminating finally the Siberian expedition and of restoring Sakhalin to the Russian people.

My suggestion would be, if it is not desired otherwise by the Delegates, that the statement made on behalf of the Japanese Government by Baron Shidehara, and the one that I have made setting forth the position of the American Government, which is as stated in its communication of the 31st May, 1921, which I have read, should be communicated to the Conference for the purpose of being spread upon its records.

The Chairman (continuing) I suggest the adoption of the following resolution.—

“Resolved, that the statements by the Japanese and American Delegations in respect to the presence of foreign troops in Siberia be reported to the Conference at its next plenary session to be spread upon its records.”

The Chairman asked if there was a desire to discuss the resolution. There being no discussion, a vote was taken.

The United States of America assented.

Belgium assented.

The British Empire assented.

Enclosure 5

Mr. Balfour to Sir B. Alston.

(No. 3)

January 22, 1922.

THE Shantung conversations are now at the following stage:—

Agreement has been reached on all questions except salt (which presents no insuperable difficulty) and the railway. As regards the railway, the price to be paid by China is settled; but no agreement has been arrived at either as to the method and time of payment, nor as to the nature of control to be exercised by Japan till payment is completed. Japanese Delegation after refusing Chinese offer of payment in cash have agreed to accept deferred payment in Treasury notes on following conditions:—

1. That notes mature in fifteen years with option of redemption in or after five years.
2. That money for redemption is not borrowed from a foreign country other than Japan; and
3. That satisfactory arrangements are arrived at as regards control.

After Japanese Delegates had declined proposal for appointment of coequal associate Chinese and Japanese Traffic Manager as administratively unworkable, and excluded by precise instructions from Tokyo, Mr. Hughes and I put the above-mentioned financial scheme before the Chinese Delegates, accompanied by the following proposals for control, which we are convinced represent the extreme limit of Japanese concession:—

1. Throughout period of repayment there shall be coequal Chinese and Japanese Chief Accountants on the railway.
2. During five years' period prior to possible redemption the traffic manager shall be Japanese appointed by China on recommendation of Japan. He will, of course, be subordinate to Chinese Director-General of Railway. In general, Japanese Railway personnel will be replaced subject to equitable arrangements as regards notice or compensation. During the second half of this five years' period a Chinese assistant traffic manager may be appointed by China.

3. Should China fail to redeem in five years, the Chinese associate* traffic manager will be withdrawn, but on China giving six months' notice at any time of intention to redeem he may be reappointed, so as to facilitate transition from Japanese to Chinese traffic management.

After consultation with your American colleague, who is receiving corresponding instructions, you should most strongly urge Chinese Government to accept these terms which Mr. Hughes and I regard as the only ones which have a chance of securing to China possession of the railroad and the evacuation by the Japanese of Shantung.

The following arguments may be useful:—

- (a.) These terms are, as I have said, the extreme limit which Japanese Delegation can be induced to accept. It should be borne in mind that when the Washington Conference began Japan was determined to accept nothing less than joint enterprise on the Shantung Railway.
- (b.) They are very favourable to China, as they ensure the immediate recovery of all ex-German rights in Shantung, and an opportunity to obtain entire control of the railway within five years. Moreover, China obtains great concessions in acceptance by Japan of Treasury notes.
- (c.) If China rejects this offer, no equally favourable opportunity for settlement will occur for years. Meanwhile, Japan will remain in possession. Probably also all benefits of present Conference will be lost.
- (d.) Odium of breakdown of negotiations and possibly of all treaties concluded at Washington Conference, many of which are of the greatest benefit to China, will be attributed to Chinese unreasonableness by civilised world.
- (e.) Any agreement reached now will be taken formal note of at Washington in the presence of representatives of all the Powers assembled in Conference, which will furnish the strongest moral sanction for its execution.

Speaking generally, you should draw the sharpest contrast between the position which China will occupy if she accepts this solution, and her position if she refuses it. In the first case, she will obtain the goodwill of the civilised world, and the opportunity of using to the full all the advantages secured to her by the Washington Conference. Japan will have restored all that Germany extorted from her—possessions and privileges—which she could never have recovered for herself. While the railway, which is the only subject of dispute, will come largely under her control at once, and completely under her control in five years. In the second case, she will lose one of those chances which are given once, but rarely given again. No Chinese statesman six months ago entertained the hope that terms so favourable could be secured. If this opportunity is allowed to pass, what Chinese statesman in the future will dare to hope that the advantages now thrown recklessly aside will ever be recovered for his country?

In addition to these general considerations, you should point out that the proposal is final, that the matter is of the greatest urgency, as the Conference is nearing an end. The Chinese Delegation in referring the question to their Government for instructions are insisting on an immediate reply.

The American Minister is receiving similar instructions.

In view of the breakdown of the Pacific cable please concert with your American colleague means for expediting rapid transmission of Chinese reply.

Addressed to Peking No. 3, repeated to Foreign Office, not repeated to Tokyo.

Enclosure 6.

Shantung Conversations: January 23 and 24.

January 23, 3.30 P.M., 31st Meeting. Salt.

THE Japanese submitted a draft by which it was proposed that the Japanese engaged in the salt industry at Kiaochow Bay should continue that enterprise subject to the right of China to purchase the industry. This was understood by the Chinese to mean that it was the Japanese intention to retain their interest in the Kiaochow salt industry indefinitely, a proposal against which they vigorously protested. The Japanese then explained that such was not their intention; that the rights of China

* This should be "assistant." A correction has been telegraphed to Peking to this effect.

to purchase the industry were safeguarded in their draft, and that their only wish was to secure continuity in the production of the salt, and in its exportation to Japan, where it was urgently required. After this misunderstanding had been cleared away, the Chinese Delegation prepared a draft, which was subsequently adopted with certain modifications, as follows:—

“Whereas the salt industry is a Government monopoly in China, it is agreed that the interests of Japanese companies or Japanese nationals who are actually engaged in the said industry along the coast of Kiaochow Bay are to be purchased by the Chinese Government on payment of fair compensation, and that exportation to Japan of a quantity of salt produced by the said industry along the said coast is to be permitted on reasonable terms. Arrangements for the above purposes, including the transfer of said interests to the Chinese Government shall be completed by the Chinese and Japanese Commissions as soon as possible, and in any case not later than _____ months from the date of the coming into force of the present agreement.”

January 24, 3 30 P.M., 32nd Meeting. Chinese Claims for Damages.

All the main questions bearing on the return to China of Kiaochow and the ex-German rights in Shantung having been settled provisionally, with the sole exception of the railway, the Chinese Delegation stated that they wished to raise certain minor points. One of these related to the occupation by Japanese of land belonging to Chinese citizens along the railway and in the leased territory; claims filed under this heading with the Chinese Government amounted to 443,660 dollars. A second category of claims was for damage done to persons and property during the Japanese administration; such claims amounted to 5,686,565 dollars, together with another single claim of 1,000,000 taels. Without wishing to assert that these claims were justified or not, the Chinese Delegation proposed that they should be jointly investigated by a Sino-Japanese Commission, and that, if found just, fair reparation should be made.

In alluding to these claims on the preceding day, the Chinese had suggested that a precedent existed in article 12 of the Protocols to the Sino-Japanese Treaty of the 22nd December, 1905. This article had dealt with reparation for Chinese property destroyed or used by Japanese subjects “without military necessity” at the time of the Russo-Japanese war. The Japanese at once objected that this precedent was much narrower in scope than the proposals now made by the Chinese with regard to Shantung. They further argued that the proposal was quite new to them, that they had no instructions, and that they required time in order to think it over. The Chinese then offered definitely to exclude those injuries, which had been caused as a direct consequence of war. They urged that the Japanese should accept their proposal, as it would go far to allay the grievances of the Chinese in Shantung against Japan, and would promote friendship between the two peoples. The Japanese, on the other hand, considered that the establishment of such a Claims Court in Shantung would give rise to local agitation, perhaps of a serious nature, on the part of would-be claimants. Further discussion of this point was postponed until the next meeting.

The Chinese then obtained definite assurances from the Japanese on the following subjects:—

1. That the telegraph lines along the Shantung Railway were regarded as part of the railway administration, and would be handed over to China with the railway, if and when a railway settlement was reached
2. That the Japanese post offices *outside* the leased territory along the railway would be withdrawn with the transfer of the railway if that took place before the 1st January, 1923, otherwise, they would be withdrawn on that date in accordance with the Conference Resolution on post offices; but that the post offices *inside* the leased territory were not covered by that Resolution, and their withdrawal would depend on the settlement of the Shantung question.
3. That the light railways—three in number, and 6 miles in total mileage—were regarded as part of the general Shantung Railway question.
4. That the question of the Government forests in the leased territories was covered by the clause provisionally agreed upon, returning all public utilities to China.

Printed for the Cabinet. February 1922.

SECRET.

W.D.C.-206.

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CABINET.

WASHINGTON CONFERENCE ON LIMITATION OF ARMAMENT.

*Copy of Despatch (No. 20) from Mr Balfour to the Prime Minister, dated
January 27, 1922.*

(Previous Papers Nos. W.D.C.-13, 14, 24, 47, 62, 63, 71, 95, 96, 116, 117, 123, 157,
158, 159, 183, 184, 201 and 202.)

Sir,

Washington, January 27, 1922.

I HAVE the honour to enclose for your information a memorandum (Appendix 1), which has been prepared by the Board of Trade Section of this Delegation, regarding the negotiations which have taken place and the settlement which has been reached regarding the Chinese tariff and revenues. Copies of the Delegation papers, together with the minutes of the meetings of the Conference Committee and Sub-Committee on the subject have already been forwarded to the Foreign Office, but it has been thought desirable to have a consecutive account of the proceedings prepared for record. In forwarding the memorandum, I desire also to enclose an extract from the minutes of the British Empire Delegation meeting on the 4th January (paper B.E.D. 66th Conference, Appendix 2) regarding the part played by Sir Robert Borden and Sir Hubert Llewellyn Smith in obtaining a satisfactory settlement of the Chinese tariff question.

I am, &c
(Signed) A. J. BALFOUR.

Appendix 1.

CHINESE TARIFF AGREEMENT.

MEMORANDUM BY BOARD OF TRADE SECTION.

Preliminary Discussion.

(Confidential.)
(B.E.D.-205.)

1. THE question of the Chinese Tariff was one of the matters dealt with in the memoranda prepared by the Board of Trade at the request of the Foreign Office before the opening of the Washington Conference; and the Board of Trade note on the subject was printed by the Foreign Office in their volume of memoranda for the Conference. The matter was further considered in the Delegation after arrival at Washington, and a general discussion took place at a meeting of the British Empire Delegation on the 22nd November (B.E.D. 53rd Conference). In accordance with the decisions of the Delegation, joint notes were prepared by the Foreign Office and Board of Trade Sections containing (1) financial information as to the effects of increasing China's tariff, &c., and (2) recommendations as to policy. (Papers B.E.D.-101 and 102.) These papers were circulated to the British Empire Delegates on the 23rd November.

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B

Discussion in Pacific and Far Eastern Committee.

2. The matter first came specifically before the Conference at the fourth meeting of the Committee on Pacific and Far Eastern Questions (22nd November). Senator Underwood then expressed the opinion that a Government could not be strong enough to meet its outside obligations unless it had an adequate revenue, and he pointed out that the main source of Chinese revenue was the customs dues which were entirely inadequate. He suggested, therefore, that the matter be referred to a Committee for investigation. Mr. Hughes suggested that the Committee should deal with the whole question of revenue, paying particular attention to the subject of the tariff, and the Committee agreed that a Sub-Committee should accordingly be appointed consisting of one representative from each of the nine Delegations. At the fifth meeting of the Committee on Pacific and Far Eastern Questions on the following day (23rd November), the matter was further dealt with, and Dr. Koo made a statement on the subject on behalf of the Chinese Delegation. His proposals in brief were (1) that the principle of Chinese tariff autonomy should be agreed to; (2) that pending the grant of full autonomy a maximum rate of customs duties should be agreed to, within which maximum China should enjoy full freedom of differentiating rates; and (3) that the Chinese import tariff should forthwith be raised to 12½ per cent. The Chinese proposals were not discussed in detail, but were referred to the Sub-Committee, of which Senator Underwood was appointed chairman, and on which Sir Robert Borden represented the British Empire Delegation. Sir John Jordan and Sir Hubert Llewellyn Smith attended as advisers.

Discussion in Sub-Committee.

3 The Sub-Committee held its first meeting on the 29th November, when Dr. Koo presented his proposals in detail (copy attached, Enclosure A), and Senator Underwood reaffirmed the position of the American Delegation in desiring to see further revenue made available for China. The representatives of some of the smaller countries supported this point of view, but the Japanese Delegation, through Mr. Hanihara, objected to an increase in the customs tariff on the ground of its disastrous effect on Japanese trade with China. Mr. Hanihara expressed his readiness to consider the imposition of a surtax on existing duties. Sir Robert Borden stated that the policy of the British Delegation must be based on the provisions of Article VIII of the Mackay Treaty of 1902, which provided, *inter alia*, for an increase in the import tariff to 12½ per cent. *ad valorem* on condition of abolishing internal taxation. He also called attention to the desirability of reducing unproductive military and other expenditure in China, and to the importance of securing that any additional revenue granted to China was devoted to some productive purpose. Subject to the foregoing considerations, Sir Robert Borden further suggested the possibility of agreeing to an interim increase in the import duties bringing them up to 7½ per cent effective with possible additional taxes on a limited number of luxuries.

4. The second meeting of the Sub-Committee was held on the following day (30th November), and Sir Robert Borden stated his position in somewhat fuller detail. After the discussion, in which various points were raised which will be dealt with below, the meeting was adjourned at the call of the Chair on the understanding that informal discussions should take place with a view to obtaining agreement.

5. The position, as it then stood, was reported to the Foreign Office in telegram No. 91 of the 2nd December.

Unofficial Discussion.

6. The further proceedings before another meeting of the Sub-Committee could be held were somewhat prolonged, partly owing to the unavoidable absence of Senator Underwood from Washington for part of the time, but mainly owing to the difficulties which arose in securing a common basis of agreement among the Delegations principally concerned. Senator Underwood apparently did not feel himself in a position to take a strong line in bringing together the divergent views of the Delegations, and at his request Sir Robert Borden undertook on several occasions to interview the Chinese or Japanese Delegations with a view to advancing the negotiations.

7. In order to obtain an agreed basis for discussion, proposals were drawn up in the British Delegation in the form of draft resolutions. These were circulated to

the British Empire Delegates on the 6th December (paper B.E.D -125). The subject was discussed at the meeting of the Delegation on the 7th December (B.E.D. 58th Conference), and the draft resolutions were approved in principle. The resolutions were based on the proposals which Sir Robert Borden had submitted to Senator Underwood's Sub-Committee in general terms, and which had then appeared to be generally acceptable to all Delegations except the Japanese. Meanwhile, Senator Underwood had also been preparing a draft, and a copy of this was received privately from him by Sir Robert Borden on the 9th December (copy attached, Enclosure B). This draft was so similar in its effect to the draft approved by the British Empire Delegation, that it was agreed, as a matter of policy, to use it as the basis for further discussions. At Senator Underwood's request it was slightly redrafted and returned to him for his use in discussions with the other Delegations.

8. Reference may now be made to the main points which were raised by other Delegations, and which involved much discussion before a settlement was arrived at.

9. *Japanese Position.*—Mr. Odagiri, of the Yokohama Specie Bank, who had taken the place of Mr. Hanihara as Japanese representative at the second meeting of the Sub-Committee, made a very strong and persistent attempt to have some provision inserted in the Agreement for meeting China's unsecured foreign obligations, the great bulk of which consisted of Japanese advances. He communicated privately to Sir Robert Borden a long memorandum describing the difficulties caused to China by the existence of these unsecured obligations, and proposing that the additional revenue derived from surtax on existing customs duties which he favoured, should be used to raise a long term loan, the proceeds of this loan being devoted to paying off the unsecured obligations. Apart from the disfavour with which some of the Japanese advances were regarded owing to the circumstances in which they had been made, Mr. Odagiri's proposal would have meant converting China's unsecured obligations from highly speculative to gilt-edge securities, and strong objections were taken to the scheme. The members of the British Empire Delegation who discussed the matter with Mr. Odagiri gave him no encouragement, though it was felt that if the Japanese Delegation insisted on the point some compromise might be found necessary.

10. The remaining points to which the Japanese Delegation attached importance are shown in the accompanying memorandum (Enclosure C) received from Mr. Odagiri, and described by him as containing the instructions of the Tokyo Government on the subject. It will be seen that the principal Japanese desiderata, in addition to making provision for the service of foreign loans, were (1) that the increase of import duties to $7\frac{1}{2}$ per cent should not be enforced for three or five years; (2) that changes favourable to Japan should be effected in connection with the Custodian Banks and the proportion of foreign nationals on the Chinese customs staff; and (3) that luxuries and high-grade goods should be taxed higher than $7\frac{1}{2}$ per cent, and articles of necessity and cheap goods (*i.e.*, those exported by Japan) should have a lower rate of duty. Reference was also made in the memorandum to the abolition of the preference accorded to land-borne trade, a matter which will be further referred to below (paragraphs 12, 13, 18 and 19).

11. It was understood from Mr. Odagiri at an earlier stage in the negotiations that the manufacture of cotton yarn was the Japanese industry which he feared would be most detrimentally affected by an immediate increase in the Chinese import duties. He stated that the Japanese spinning mills would have to close if the duties were immediately raised to $7\frac{1}{2}$ per cent. Senator Underwood appeared to show some readiness to meet the Japanese on this point by excluding cotton yarn and possibly some other articles from any increase in the import duties. The point was one which the British Empire Delegation had to consider carefully, as India has a very large trade in cotton yarn with Japan, and it was thought that some special provision might possibly be necessary to prevent injury to Indian trade. The proposal for a differential rate of duty was regarded as highly undesirable, as other countries would immediately have demanded low rates for the commodities in which they were particularly interested. As an alternative, the question of effecting the increase of duties from 5 per cent. to $7\frac{1}{2}$ per cent. by two stages was considered, but the matter was disposed of so far as the British Empire Delegation was concerned by the receipt of a telegram from the India Office on the 16th December conveying the views of the Indian Government that a duty of $7\frac{1}{2}$ per cent. would not materially injure Indian trade and that on general grounds of policy India did not desire to seek tariff concessions in her own favour, provided all countries were treated alike.

12. The other Japanese point in which the Indian Section of the Delegation was interested concerned the reduction in duties granted under existing arrangements to goods entering China over the land frontiers, as the reduction in duties enjoyed by India formed part of an arrangement under the Anglo-Chinese Convention of 1894, by which Chinese goods entering Burma were free from duty. The reductions in Chinese import duties at land frontiers were originally granted on the ground that the difficulties of transport caused a handicap to land-borne trade which had to be off-set. The building of railways has removed this difficulty so far as China's other land frontiers are concerned, and on these frontiers there is therefore no longer any ground for the reductions. On the Burmese frontier, on the other hand, the original reasons still hold good. The Indian section of the Delegation, nevertheless, fully concurred in the view that the reductions granted on the Burmese frontier should be relinquished if it were understood that the Indian Government regained a free hand with regard to the reciprocal concessions provided for in the 1894 Convention, and if the corresponding reductions on the other land frontiers were abolished at the same time. Senator Underwood had made it clear from the outset that the abolition of these discriminating reductions was a cardinal point in his policy, and Sir Robert Borden took an early opportunity of supporting his view, making clear at the same time that India would naturally regain her freedom to impose import duties on Chinese goods entering Burma if she so desired. A letter explaining the point more fully was sent to Mr. Sze by Mr. Sastri on the 9th January, 1922, and Mr. Sze has replied expressing his concurrence. Copies of the letters are attached (Enclosures D1 and D2).

13. *French Position.*—It was anticipated that the French Delegation would probably object to losing the privilege of reduced duties for their goods entering China from French Indo-China, and efforts were made to induce Senator Underwood to discuss the matter informally with the French representative. This, however, he seemed unwilling to do, possibly owing to the general position in which the French Delegation were placed at that period. The French attitude, therefore, remained conjectural until the Sub-Committee met again, and considerable difficulty was found in overcoming the objections then raised by the French Delegation.

14. The other main point affecting the French Delegation was the proposal to impose a special surtax on luxury goods imported into China. M. Sarraut expressed his misgivings regarding any such proposal at an early stage, and it was ascertained privately from the French Delegation that they would strongly resist any suggestion to incorporate a list of luxury articles in the Agreement.

15. *Modifications in Proposals.*—As a result of the informal discussions between Delegations, it became clear that it would be difficult to secure unanimous assent to the proposals originally put forward at the Sub-Committee. The Foreign Office telegrams Nos 121 and 122 of the 14th December, communicating the views of the British Chamber of Commerce at Shanghai and the British Minister at Peking, indicated the desirability of further emphasising the importance of carrying into effect the principles of Article VIII of the Mackay Treaty, though this had from the first been a cardinal point in the policy of the British Delegation. The telegrams in question also suggested the possibility of definitely securing some immediate diminution in internal burdens on trade in China. Some consideration was therefore given in the British Delegation to the possibility of obtaining a measure of relief from internal taxation in connection with the proposed increase of import duties to $7\frac{1}{2}$ per cent., and the further possibility of providing for the progressive diminution of internal taxation as a condition of future increases in the customs tariff. The American Government stated privately that they had received representations from American traders in China on the lines of those put forward by the British Chamber of Commerce, and the American Delegation seemed disposed to adopt a similar course to that just indicated.

16. The doubts indicated in the above-mentioned telegrams from China as to the proposal for earmarking the additional customs revenue for railway construction re-enforced some uncertainty on the point which had arisen in the British Delegation, and the Japanese pressure to provide for the customs revenue being used to pay off China's unsecured obligations further seriously complicated this point. Dr Koo, in an interview which he had with Sir H. Llewellyn Smith, on the 19th December, stated that the Peking Government had authorised his Delegation to agree to a large proportion (*e.g.*, 70 per cent.) of the surplus customs revenue being used for discharging China's unsecured obligations, and the possibility of providing for this was discussed in some detail in the British Delegation.

17. In view of all the fresh issues which had arisen during the discussions mentioned above, the British Empire Delegation, at their meeting on the 20th December (B.E.D., 62nd Conference) appointed a Sub-Committee, consisting of Sir Robert Borden, Sir Auckland Geddes and Mr. Sastri, to consider the whole question with power to deal with it in their discretion. This Sub-Committee met the following day and drew up a fresh draft, in which an attempt was made to meet the points of view of the various Delegations, and the representations received from China, supported as these were by the telegram No. 136 from the Foreign Office of the 17th December. The draft was communicated to the Foreign Office in telegram No. 196, despatched on the 23rd December. The result of further discussions by the Sub-Committee, however, coupled with interviews which Sir Robert Borden and Sir H. Llewellyn Smith had with Senator Underwood, Mr. Odagiri and Dr. Koo, indicated that there was no sufficient basis of agreement for any detailed proposals regarding the conditions subject to which the import duties might be raised, and the purposes for which the additional revenue thus obtained should be used. A general clause was therefore devised in substitution for the detailed provisions on those subjects contained in Articles 3, 4, and 5 of the previous draft (telegram No. 196). This new clause was communicated to the Foreign Office in telegram No. 201 of the 27th December.

Acceptance of Proposals by Sub-Committee.

18. As the draft thus simplified was found to be generally acceptable to the other Delegations principally concerned, Senator Underwood called a meeting of his Sub-Committee for the 27th December. At this meeting Sir Robert Borden communicated the draft heads of agreement, explaining that the proposals had been made more general in character in order to facilitate agreement. A further meeting of the Sub-Committee took place on the following day (the 28th December) to consider the proposals in detail, and, subject to a few alterations (which, so far as material, were reported to the Foreign Office in telegram No. 210 of the 30th December), the draft resolutions were unanimously accepted, except for a reservation by the French Delegation regarding the proposed abolition of the preference granted to land-borne trade (see paragraph 13 above). Attention may also be called to the statements read by Mr. Odagiri in the course of the meeting relating to (1) the utilisation of China's additional customs revenue for the service of foreign loans; (2) the position of Japan in relation to the Custodian banks and the proportion of foreign nationals to be employed in the customs staff, and (3) the abolition of the preference to land-borne trade. The only point raised by Mr. Odagiri requiring action at the Conference was the third, and a copy of his statement on this point is attached (Enclosure E). It will be seen that Mr. Odagiri expressed the readiness of Japan to agree to the proposal if all the other countries concerned, namely, Great Britain, France and Russia, likewise agreed. He also indicated that, having regard to the present condition of Russia, Japan wished China to give a special guarantee for the abolition of the preferences granted to land-borne trade on the Russo-Chinese frontiers.* Mr. Odagiri's statements are recorded in the minutes of the meeting, and it will be seen that, so far as the first two points mentioned above are concerned, the statements are based on the instructions from Tokyo, which Mr. Odagiri had previously communicated privately to the British Delegation, as explained above (Enclosure C to this memorandum).

19. On the basis of the agreement obtained at the Sub-Committee meeting on the 28th December (except for the French reservation), Senator Underwood undertook to prepare a report, and this was brought forward at the Fifth Meeting on the 3rd January. No fresh objections were raised, but it was found impossible to devise any formula which would meet the French reservation. M. Sarraut, who was very unwilling for the French Delegation to be in the position of standing out against all the other nations, asked that the meeting be adjourned for informal discussion. This was agreed to, and, at the request of Senator Underwood, Sir H. Llewellyn Smith called on M. Sarraut and M. Kammerer the same afternoon and succeeded in agreeing upon a formula with them. This was brought forward at the Sixth Meeting of the Sub-Committee on the following day (the 4th January), and, subject to a small amendment by Senator Underwood, was unanimously accepted. Complete agreement on all points was thus reached, and the Foreign Office was informed by telegram No. 226 of the 5th January.

* At the time of writing this memorandum (the 25th January), the position in regard to this point was that the Chinese Delegation had drafted and circulated a declaration (Enclosure F), presumably with a view to making a statement at a meeting of the Committee or Conference

The agreement was entirely consistent with the views of the Board of Trade and Foreign Office, which were received in telegrams No. 166 (of the 4th January) and No. 174 (of the 8th January).

China's Military Expenditure.

20. In order to complete the account of the Sub-Committee's work, it only remains to refer to the resolution on Military Expenditure which they appended to their Report. As explained above (paragraph 3), Sir Robert Borden mentioned at an early meeting the importance of Chinese financial resources being increased, not only by an advance in her customs revenue, but also by a reduction of the unproductive military expenditure prevailing under present conditions in the country. This was in accordance with the views of the British Empire Delegation, which recorded the desirability of passing a resolution on the subject at their meeting on the 22nd November (Paper B.E.D., 53rd Conference). The idea proved acceptable to the other Delegations consulted, and it only remained to decide the best mode of procedure. Sir Robert Borden ascertained from Mr. Hughes that he was favourable to the Sub-Committee including a paragraph in their Report which would call the attention of the Conference to the matter. A paragraph was accordingly drafted in the British Delegation (Paper B.E.D. No. 126). After consultation with Senator Underwood, it was redrafted and shown to Dr Koo, who produced a draft in modified terms, so as to be acceptable to the Chinese Delegation, without, however, materially altering its contents. On being brought forward at the Sub-Committee as part of Senator Underwood's Report it was unanimously accepted, the Chinese Delegation naturally refraining from voting.

Further Proceedings in Pacific and Far Eastern Committee.

21. The Report approved by the Sub-Committee was submitted to and accepted by the Committee on Pacific and Far Eastern Affairs at their Seventeenth Meeting on the 5th January, 1922. The paragraph on Military Expenditure was referred back to the Sub-Committee for an appropriate resolution to be drafted along the lines of the recommendation. The paragraphs relating to the Chinese tariff were referred to the Sub-Committee on Drafting (of which Sir Auckland Geddes is the British member) in order that the parts which can come into force immediately might be drafted separately from those which require ratification and which must therefore form part of the treaty. This work was completed at a meeting of the Sub-Committee on Drafting on the 14th January. The resulting resolutions were submitted to the Committee on Pacific and Far Eastern Affairs at their Eighteenth Meeting on the 16th January and accepted by them with one or two verbal changes. They were immediately communicated to the press and published on the 17th January. Copies are attached hereto (Papers B.E.D.-174* and 175, Enclosures G and H).

22. The resolutions contained in Paper B.E.D.-174 will have to be embodied in the Treaty relating to China, and do not therefore call for immediate action, as the Treaty has yet to be signed and ratified and the adhesion of the other Treaty Powers secured. The resolution as to the immediate revision of the tariff (Paper B.E.D.-175) will presumably be submitted at a plenary meeting of the Conference, and, on adoption, will be forthwith communicated by the United States Government to the Governments of all the Treaty Powers. It will then call for immediate action with a view to the completion of the tariff revision within four months from the date when the resolution is adopted by the Conference.

23. The resolution on Military Expenditure was drafted by Senator Underwood in consultation with the members of his Sub-Committee and passed by the Committee

* One point of detail in the wording of paragraph 1 in paper B E D -174 perhaps calls for explanation. Reference is made in that paragraph (as redrafted by the Sub-Committee on Drafting) to Articles 4 and 5 of the Treaty of 1903 between the United States and China: as being Articles the fulfilment of which the Special Conference in China should secure. Article 4 of the Treaty in question is entirely relevant as it relates to the abolition of *likin* and the imposition of surtaxes. Article 5, however, contains provision for reciprocal most-favoured-nation treatment between the United States and China. The French Delegation called attention to this at the Committee meeting on the 16th January, and asked Mr. Root, the Chairman of the Sub-Committee on Drafting, whether it was intended that the acceptance of a similar condition by all the Treaty Powers should be one of the conditions of the abolition of *likin*. Mr. Root (a copy of whose statement is annexed—discusse I) replied definitely that this was not the intention and it was agreed that this declaration be recorded in the minutes of the meeting in order to prevent misunderstanding in future.

on Pacific and Far Eastern Affairs at their meeting on the 20th January. The text was reported to the Foreign Office in telegram No 284 of the 20th January, and a copy is attached hereto for record (B.E.D.-186, Enclosure J).

Results Achieved.

24. The general result of the agreement on the Chinese tariff is to authorise immediate revision of the import duties on the basis of 5 per cent effective, and to provide for the assembling of a special Conference in China, whose main duties will be to (1) prepare the way for the speedy application of Article VIII of the MacKay Treaty relating to the abolition of *likin*, and (2) arrange for the levying of a surtax on dutiable imports at the rate of $2\frac{1}{2}$ per cent. with the possibility of a surtax of 5 per cent. in the case of certain articles of luxury selected by the Conference. The question of the date on which the surtax should come into operation, the purposes for which the revenue accruing from it should be used, the machinery for securing its proper application and the other conditions to be applied, will be for the Conference to decide. As a concession to China the period between future successive tariff revisions is reduced from ten to seven years, with the first of these revisions to take place after four years. The abolition of the existing preferences for land-borne goods is agreed to in principle, with power to the special Conference to make arrangements for authorising equitable adjustments in cases where the preference which is to be abolished was granted in return for some local economic favour. The present advantage enjoyed by Japan of paying transit duties on the Korean land frontier at the rate of one-half the reduced import duty levied on that frontier is abolished by the provision in the Agreement that the charge for transit passes shall be at the rate of $2\frac{1}{2}$ per cent. The Agreement contains further clauses providing for equality of treatment and opportunity in all matters relating to customs duties, and providing also for the adhesion of the Treaty Powers not represented at the Conference, together with a clause for securing that the Agreement shall override provisions of existing Treaties which are inconsistent with it. A declaration by the Chinese Government regarding the maintenance of the present administration of the maritime customs is annexed to the Agreement.

25. There is no doubt that the Agreement represents, from the point of view of trade with China, a very moderate addition to the burdens of taxation. The revision of the import duties to a basis of 5 per cent. was already due to China as a treaty right. Having regard to the extravagant proposals originally put forward by the Chinese, and to the attitude of somewhat indiscriminating sympathy adopted by the American and certain other Delegations towards Chinese aspirations, it would have been impossible to block any further increase in tariff, even if such increase were not justified on merits. The arrangement embodied in the Agreement by which the increase is limited to $2\frac{1}{2}$ per cent (except for a few luxury goods) and all the details have to be settled locally, so that the views of the trade interests concerned may have full weight, appears much more favourable than might have been expected. Full weight has been given throughout to the views of the British commercial community in China and also to those of the Manchester Chamber of Commerce. The establishing of a special Conference to bring about the speedy abolition of *likin* seemed the best way, in the present disturbed condition of China, of dealing with the question of internal taxation to which traders in China have always attached such importance. The abolition of the preference granted on the land frontiers should also be a benefit to British trade, and it may be anticipated that the arrangements made by the special Conference for the proper use of the surplus revenues accruing to China from the proposed surtaxes will bring about such development of the country and improvement in its conditions as will greatly add to its value as a commercial market.

*Franklin Square Hotel, Washington, D.C.,
January 25, 1922.*

Enclosure A.

Proposals of the Chinese Delegation.

THE present import duty of 5 per cent. shall be forthwith increased to $12\frac{1}{2}$ per cent. effective.

2 China agrees to abolish *likin* on the 1st January, 1924, and the Powers agree to put in force on the same day the levy of certain surtaxes on import and export duties provided for in the Treaty of 1902 with Great Britain and in that of 1903 with the United States and that of 1903 with Japan, and the Powers further agree to the levy of an additional surtax to be put in force on the same day for articles of luxury over and above the import tariff rate of $12\frac{1}{2}$ per cent. effective. In all other respects, the undertakings of China and the Powers herein stipulated are to be carried out in accordance with the terms of the Treaties above mentioned.

3 Within five years from date of agreement, a new customs régime shall be negotiated and concluded by treaty on the basis of a maximum rate of 25 per cent. *ad valorem* for any article imported into China, within which rate China is to be free to regulate and arrange the import tariff schedule. This new régime is to be in force until the end of the period referred to in paragraph 5 below.

4 The reductions now applicable to the customs duty collected on goods imported into and exported from China by land shall be abolished.

5. The Treaty provisions between China and the Powers by which the levy of customs duties, transit dues and other imposts is regulated, shall be abrogated at the end of ten years from date of agreement.

6. China voluntarily declares that she is not contemplating to effect any fundamental changes in the present system of customs administration, or to disturb the devotion of the customs revenue to the services of the foreign loans secured thereon.

November 29, 1921.

Enclosure B.

(Senator Underwood's Draft, received December 9, 1921.)

The Chinese Maritime Customs Tariff.

THE Powers attending this Conference agree—

1 That the present tariff on importation shall be forthwith revised and raised to a basis of 5 per cent. effective.

2. That this revision when completed shall become effective immediately without awaiting ratification.

3 That in addition to the effective 5 per cent. import duty, all foreign goods on importation shall pay a surtax equivalent to 50 per cent. of the said duty.

4. In addition to the effective 5 per cent. importation duty, the Government of China may levy a special surtax, not exceeding $1\frac{1}{2}$ times said duty, upon luxuries.

5. For the purposes of the agreement luxuries are defined and understood to be the following :—

6. That the Chinese Government shall abolish permanently and discard completely the system of levying *likin* or such like dues or duties on goods, at the place of production, in transit, and at destination. This provision does not apply to the native custom-houses at present in existence on the seaboard or waterways, at open ports, on land routes, and on land frontiers of China.

7. That when the *likin* and such like dues or duties are permanently and effectively abolished, the rate of duty on imports shall be increased to $12\frac{1}{2}$ per cent.

8. That there shall be a complete revision of the tariff within four years following the completion of the immediate revision herein authorised.

9. That following the revision four years hence, as provided in Article 8, there shall be periodical revisions of the tariff for seven years.

10. That the present administrative system shall not be disturbed.

11. That there shall be effective equality of treatment and of opportunity for all nations.

12. That reductions now applicable to the Customs Duties collected on goods imported into and exported from China by land shall be abolished.

13. That revenue derived from tariff shall be applied first to discharging the foreign obligations of China.

14. When the foreign obligations of China shall have been discharged, all surplus revenue derived from tariff duties shall be devoted to construction purposes.

15. That the increased tariff rates shall be accepted by all the Powers.

16. That all provisions of treaties between China and other Powers not consistent with the terms of this Agreement shall be brought to an end as soon as practicable.

December 2, 1921.

Enclosure C

(Document communicated by Mr. Odagiri, December 14, 1921.)

Re Chinese Customs Revision.

(A.) JAPAN agrees to the raising of the Chinese import tariff to 7·5 per cent, provided—

1. That the revised rate be enforced not earlier than three or five years after the signing of the Tariff Revision Treaty.
2. That a surtax be imposed immediately on imports in addition to the existing import tariff so as to make the total customs dues paid equivalent to an effective 5 per cent tariff. In order that China's revenue may be increased, it may not be objectionable to add a surtax to all customs duties except export.
3. That the rate of transit dues remain either 2·5 per cent *ad valorem*, or one-third of the new tariff rate, after the revision comes into effect.
4. That in order to effect the revision of the present tariff rate into an effective 7·5 per cent. tariff commissioners of all the countries concerned (including China) meet either at Peking or at Shanghai as soon as possible.

The proposed Commission shall also take up the following questions.—

- (a.) The Determination of the specific Duties
- (b.) The Classification of articles subject to customs taxation.
- (c.) The Custody and Supervision of the Customs Revenue.
- (d.) The Utilisation of the increased Customs Revenue.

(B) Although Japan has no objection to the idea that the existing customs system of China should be left unchanged, she must express the hope that, in view of the important position which her Chinese trade occupies in the entire foreign trade of China, and her resulting large contribution to the Chinese customs revenues, a fair and suitable adjustment may be effected, with the above fact in view, in regard to the future operation of the Customs system, that is to say, concerning such matters as the *Custodian Banks and the proportion of foreign nationals to be employed on the customs staff*. We desire to make it clear, however, that this is not proposed as a condition of our acceptance of 7·5 per cent tariff rate, but only as a frank expression of our desire.

It is hoped that the Tariff Revision Commission, in its deliberation upon questions such as the custody and supervision of tariff revenues and the utilisation of the increased revenue, should take into consideration the above expressed desire of Japan.

(C.) The goods exported by Japan into China are mostly of a cheap grade, of the same class which are at present being produced in large quantity in China.

Unless, therefore, the present rate of production tax imposed upon goods manufactured in China by the use of modern machinery is raised to a fairly high scale, the effect of the increased customs tariff will be felt most seriously by the Japanese trade, while that of European and American trade will not be affected to any considerable degree. In order, therefore, to make the effect of the new customs tariff fall equitably upon all countries concerned, it is desirable that the above fact should be taken into consideration in determining the new tariff rate and in classifying the objects of taxation. We wish that the Tariff Commission should consider this point carefully in order that the effect of the tariff increase may be impartial and equitably distributed.

It is suggested that luxuries and high-grade goods should be taxed at a rate slightly higher than 7.5 per cent., while articles of necessity and cheap goods should be taxed slightly less than that rate, thus to enable China to obtain a total revenue corresponding to a uniform 7.5 per cent. tariff. This proposal, again, is not made as a condition of our acceptance of the 7.5 per cent. rate; it is simply a frank expression of our hope that the Tariff Commission will consider this matter carefully.

(D.) Japan accepts the revised tariff rate because of her sincere desire to see China's political situation stabilised and her finance placed upon a secure basis, although Japan's trade with China stands to suffer severely from the proposed increase. Japan, therefore, attaches the greatest importance to the use to which the additional customs revenue will be applied. It is hoped that the countries interested will adopt a practical arrangement whereby the proper use in future of the additional customs revenue will be assured. In our opinion, the additional revenue should first be used for the services of foreign loans which are the most pressing of China's needs to-day. In view of the present state of affairs in China, it would not be *practical to use the customs revenue on public utilities, as was suggested by the Chinese representatives*. There is always, in the existing circumstances, a grave possibility of such revenue being used to support internal political feuds, with the result that the increase of tariff revenue, instead of promoting the welfare of the Chinese people, would rather add to their troubles.

On the other hand, the suggestion that the supervision of the use of the additional revenue should be entrusted to the Audit Department shows a lack of knowledge of the real character of that office. Long experience points to the utter futility of any such arrangement.

(E) With regard to doing away with the special low rate of the frontier customs tariff, no instruction has yet been received by us, but we hope that Japan will adopt a position similar to that of Great Britain, France and Russia.

Enclosure D (1).

*British Empire Delegation,
Franklin Square Hotel, Washington, D.C.,
January 9, 1922.*

Your Excellency,

I HAVE the honour to address you on the subject of the reductions now applicable to the customs duties collected on goods imported into and exported from China by land

2. The arrangement between India and China regarding the import and export of goods by land is contained in Articles VIII and IX of the Convention of the 1st March, 1894, between Great Britain and China. The substance of these articles is as follows:—

Article VIII. The British Government agreed:—

(1.) Chinese produce and manufactures, with the exception of salt, to enter Burma by land free of duty.

(2.) British manufactures and Burmese produce, with the exception of rice, to be exported to China by land free of duty.

(3.) The import duty on salt and the export duty on rice not to be higher than the duties on import or export by sea.

Article IX. The Chinese Government agreed:—

(1.) The duty on goods imported by land by certain specified routes from Burma to China to be less by three-tenths than the duties specified in the General Tariff of Maritime Customs.

(2.) The duty on goods exported from China by those routes to be less by four-tenths than the duties specified in the General Tariff of Maritime Customs.

Under Article XIX these arrangements were subject to revision after six years at the demand of either party, or sooner should both Governments desire it. They are, however, still in force.

3. As you are aware, paragraph 6 of the proposed Agreement on the Chinese Maritime Customs Tariff makes the following provision —

“ That the principle of uniformity in the rates of customs duties levied on all the frontiers, land and maritime, of China be recognised, and that it be referred to the Special Conference mentioned in paragraph 1 to make arrangements to give practical effect to this principle, with power to authorise any adjustments which may appear equitable in cases in which the customs privilege to be abolished was granted in return for some local economic favour.

“ In the meantime, any increase in the rates of customs duties or surtax imposed in pursuance of the present Agreement, shall be levied at a uniform rate *ad valorem* on all frontiers, land and maritime.”

And in paragraph 9 of the aforesaid Agreement it is further provided that that Agreement shall override all provisions of treaties between China and the Powers, which are inconsistent with its terms

4. I have the honour to say that while India is preparing to accept the principle that the rates of customs duties levied on all the frontiers, land and maritime, of China should be uniform, it should be clearly understood, with reference to paragraph 2 of this letter, that the arrangements made to give effect to this principle will restore to India the right to impose import duty on Chinese manufactures or produce entering Burma, and export duty on British manufactures and Burmese produce exported to China by land, should she so desire, and that no further action on her part under Article XIX of the Convention of the 1st March, 1894, will be required. In this connection, I have the honour to point out that at the meeting of the Sub-Committee on Chinese Tariff held on the 28th December, Sir Robert Borden mentioned that if India renounces the preference at present enjoyed under the terms of the Convention referred to in paragraph 2 of this letter, she would recover her freedom as to the treatment of Chinese trade, and it was understood that your Delegation had no objection to this

I have, &c
(Signed) V SRINIVASA SASTRI.

His Excellency Sao-Ke Alfred Sze,
Chinese Delegation

Enclosure D (2)

PACIFIC AND FAR EASTERN QUESTIONS.

Chinese Delegation, Washington, D.C.,

Your Excellency,

January 16, 1922.

I HAVE the honour to acknowledge the receipt of your Excellency's note of the 9th instant on the subject of the reductions now applicable to the customs duties collected on goods imported into and exported from China by land.

It will be recalled that at the meeting of the Sub-Committee on Chinese Revenue held on the 4th instant, my colleague, Mr. V. K. Wellington Koo, speaking of the expression, “in return for some local economic favour,” in paragraph 6 of the proposed Agreement on the Chinese Maritime Customs Tariff, observed, and it was understood that the observation was tacitly accepted as correct by the other members of the Sub-Committee, that the said expression could refer only to that which was clearly *quid pro quo* for the tariff reduction in question. As the provisions of Articles VIII and IX of the Convention of the 1st March, 1894, between China and Great Britain appear clearly to be reciprocal considerations one for the other, I have the honour to state, in reply, that it is understood that the arrangements made to give effect to the principle of uniformity in the rates of customs duties levied on all the frontiers, land and maritime, of China would restore the right to India, should she so desire, to impose duty on Chinese manufactures or produce entering Burma,

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and export duty on British manufactures and Burmese produce exported to China by land, and that no further action would be required on India's part to revise the said Convention of the 1st March, 1894

(Signed) I have, &c.
SAO-KE ALFRED SZE.

The Right Hon. V. S. Srinivasa Sastri, &c.,
British Empire Delegation,
Franklin Square Hotel, Washington, D.C.

Enclosure E.

CHINESE TARIFF. DUTIES ON LAND-BORNE TRADE.

Mr. Odagiri's Statement at Sub-Committee Meeting on December 28, 1921.

WITH reference to the abolition of the reduction of duties on goods imported into China or exported from that country by land, Japan is ready to agree to the proposal if all the other countries concerned—that is, Great Britain, France and Russia—likewise agree, provided that the proposed abolition be carried out simultaneously on all the frontiers of China, and further provided that, in view of the present state of affairs in Russia, China give a special guarantee for the abolition of the reduction of the land customs duties on the Russo-Chinese frontier, and also provided that the proposed abolition be brought into force from the date on which the proposed surtax shall have been carried into effect.

In this connection the Japanese Delegation wishes to draw the attention of the meeting to the peculiar system of transit duty prevailing in French Indo-China imposed on foreign goods destined to provinces of China, such as Yunnan and Kwangsi. It is the understanding of the Japanese Delegation that the purpose of the proposed abolition of reduction on land customs duties in China is uniformly to eliminate such advantages in customs duties as are enjoyed by countries contiguous in territory to China, enabling other countries which do not possess such advantages to send their merchandise to the Chinese markets on a footing of equality with the goods of countries contiguous to China. With this purpose the transit duty in French Indo-China is at variance, and is inconsistent with the fundamental principle of equal opportunity, and as such it has already been a subject of some remark by the various countries concerned. If, therefore, the French Government are inclined to consent to the proposed abolition of reduced land customs duties in China, Japan hopes that the French Government will likewise abolish the system of transit duty in French Indo-China as soon as possible.

Moreover, since there is no treaty of commerce between Japan and French Indo-China, Japanese merchandise, when imported into the latter country, is subjected to disadvantageous treatment in comparison with the goods of other countries which have treaty relations with French Indo-China. In addition to this disadvantage, Japanese merchandise is subjected to another unfavourable discrimination, as compared with the treatment accorded goods from other countries, in regard to this transit duty, which is fixed at one-fifth the import duty.

Under these circumstances, the position seems to be that, while Japan is prepared to agree to the proposed abolition of reduced land customs duties in China, in conformity with the principle of equal opportunity, France is to retain the transit duty on foreign goods, thus indirectly giving special protection to her own merchandise imported into China. If this is the case, it is obviously unfair, and the Japanese Delegation ventures to bring it to the notice of the French Delegation.

Enclosure F.

Draft Declaration of the Chinese Delegation with reference to Frontier Customs Duties on the Russo-Chinese Land Frontiers.—(Received January 16, 1922.)

WITH reference to the statement of the Japanese Delegate made at a meeting of the Sub-Committee on Chinese Revenue, held on the 28th December last, asking China to give a special guarantee for the abolition of the reduction of the land

customs duties on the Russo-Chinese frontiers, the Chinese Delegation is authorised to state that the Chinese Government will use its utmost efforts at the earliest appropriate moment to obtain the consent of Russia to the abolition of the present reduction of the land customs duties on the Russo-Chinese frontiers, and that it does not contemplate the conclusion of any Agreement with Russia looking to the maintenance of the reduction on the said frontiers.

(Confidential.)
(B.E.D.-174.)

Enclosure G.

RESOLUTIONS REGARDING REVISION OF CHINESE CUSTOMS DUTIES.

(Unanimously adopted at Meeting of the Committee on Pacific and Far Eastern Questions on January 16, 1922.)

(Previous Paper No. B.E.D.-169.)

WITH a view to increasing the revenues of the Chinese Government, the United States of America, Belgium, the British Empire, China, France, Italy, Japan, the Netherlands and Portugal agree—

1. That immediate steps be taken through a Special Conference, to be composed of representatives of the Contracting Powers and other Powers which adhere to this Convention, to prepare the way for the speedy abolition of *likin* and for the fulfilment of the other conditions laid down in Article VIII of the Treaty of the 5th September, 1902, between Great Britain and China, in Articles IV and V of the Treaty of the 8th October, 1903, between the United States and China, and in Article I of the Supplementary Treaty of the 8th October, 1903, between Japan and China, with a view to levying the surtaxes provided in those Articles.

The Special Conference shall meet in China within three months after the date of the ratification of this Convention on a day and at a place to be designated by the Chinese Government.

2. The Special Conference shall consider the interim provisions to be applied prior to the abolition of *likin* and the fulfilment of the other conditions laid down in the Articles of the Treaties above mentioned; and it shall authorise the levying of a surtax on dutiable imports as from such date, for such purpose, and subject to such conditions as it may determine.

The surtax shall be at a uniform rate of 2½ per cent. *ad valorem* except in the case of certain articles of luxury which, in the opinion of the Special Conference, can bear a greater increase without unduly impeding trade, and upon which the total surtax shall not exceed 5 per cent.

3. That following the immediate revision of the customs schedule of duties on imports into China, as provided for in a resolution adopted by the representatives of all Powers signatory to this Convention at a Plenary Session of the Conference on the Limitation of Armament held in the City of Washington on the day of January, 1922, there shall be a further revision, to take effect at the expiration of four years following the completion of the aforesaid revision, in order to ensure that the customs duties shall correspond to the *ad valorem* rates fixed by the Special Conference herein provided for.

That following this revision there shall be periodical revisions of the customs schedule of duties on imports into China every seven years for the same purpose, in lieu of the decennial revision authorised by existing Treaties with China.

That, in order to prevent delay, such periodical revision shall be effected in accordance with rules to be settled by the Special Conference mentioned in Article 1 herein

4. That in all matters relating to customs duties there shall be effective equality of treatment and of opportunity for all Powers parties to this Convention.

5. That the principle of uniformity in the rates of customs duties levied at all the land and maritime frontiers of China is hereby recognised; that the Special Conference above provided for shall make arrangements to give practical effect to this principle; and it is authorised to make equitable adjustments in those cases in

which the customs privilege to be abolished was granted in return for some local economic advantage.

In the meantime, any increase in the rates of customs duties resulting from tariff revision or any surtax hereafter imposed, in pursuance of the present Convention, shall be levied at a uniform rate *ad valorem* at all land and maritime frontiers of China.

6. That the charge for transit passes shall be at the rate of $2\frac{1}{2}$ per cent. *ad valorem* until the arrangements contemplated in Article 1 herein come into force.

7. That the Powers not signatory to this Convention having Governments at present recognised by the Powers represented at this Conference, but whose present Treaties with China provide for a tariff on imports and exports not to exceed 5 per cent. *ad valorem*, shall be invited to adhere to the present Convention, and, upon such adherence by all of them, this Convention shall override all provisions of Treaties between China and the respective Contracting Powers which are inconsistent with its terms.

That the United States Government, as convener of the present Conference, undertakes to make the necessary communications for this purpose and to inform the Governments of the Contracting Powers of the replies received.

8. Ratification clause of usual form.

Separate Resolution.

That the Government of the United States, as convener of the present Conference, be requested to communicate forthwith the terms of the Agreement arrived at with regard to the Chinese tariff to the Governments of Powers concerned, as stated in the Agreement, with a view to obtaining their adherence to the Agreement as soon as possible.

*Franklin Square Hotel, Washington, D.C.,
January 17, 1922.*

(Confidential.)
(B.E.D.-175.)

Enclosure H.

RESOLUTION ON THE REVISION OF THE CHINESE TARIFF.

(Unanimously adopted at a Meeting of the Committee on Pacific and Far Eastern Questions on January 16, 1922.)

(Previous Paper B.E.D.-170.)

WITH a view to providing additional revenue to meet the needs of the Chinese Government, the Powers represented at this Conference, namely, the United States of America, Belgium, the British Empire, China, France, Italy, Japan, the Netherlands and Portugal agree—

That the customs schedule of duties on imports into China adopted by the Tariff Revision Commission at Shanghai on the 19th December, 1918, shall forthwith be revised so that the rates of duty shall be equivalent to 5 per cent. effective, as provided for in the several commercial treaties to which China is a party.

A Revision Commission shall meet at Shanghai, at the earliest practicable date, to effect this revision forthwith and on the general lines of the last revision.

This Commission shall be composed of representatives of the Powers above-named and of representatives of any additional Powers having Governments at present recognised by the Powers represented at this Conference, and who have treaties with China providing for a tariff on imports and exports not to exceed 5 per cent. *ad valorem* and who desire to participate therein.

The revision shall proceed as rapidly as possible with a view to its completion within four months from the date of the adoption of this resolution by the Conference on the Limitation of Armament and Pacific and Far Eastern Questions.

The revised tariff shall become effective as soon as possible, but not earlier than two months after its publication by the Revision Commission.

The Government of the United States, as convener of the present Conference, is requested forthwith to communicate the terms of this resolution to the Governments of Powers not represented at this Conference, but who participated in the Revision of 1918, aforesaid.

*Franklin Square Hotel, Washington, D.C.,
January 17, 1922.*

Enclosure I.

*Extract from Minutes of Eighteenth Meeting of Pacific and Far Eastern
Committee on January 16, 1922.*

Mr. Root said the treaties referred to in Article 1 were the same treaties which were referred to in the original report of the Committee on Chinese Revenue. The only difference was that this draft specified the particular articles of those treaties which were supposed to be relevant to the subject matter of this instrument. It was rather to limit than to enlarge the reference in the original report, and the conditions which were referred to in Article 1 were the conditions upon which the Powers entering into these treaties with China undertook to consent to the increase of duties, *i.e.*, they agreed to consent to an increase of duties on condition that China did thus and so. No conditions were imposed upon any other Power, so that he would say that no obligation whatsoever could be found in this Article upon any of the Powers other than China in respect of the most-favoured-nation clauses. That was his understanding of it.

Enclosure J.

(Confidential.)
(B.E.D -186.)

MILITARY FORCES IN CHINA.

*Resolution adopted by the Committee on Pacific and Far Eastern Questions,
Friday, January 20, 1922, 3 P.M.*

“WHEREAS the Powers attending this Conference have been deeply impressed with the severe drain on the public revenue of China through the maintenance in various parts of the country, of military forces, excessive in number and controlled by the military chiefs of the provinces without co-ordination;

“And whereas the continued maintenance of these forces appears to be mainly responsible for China’s present unsettled political conditions,

“And whereas it is felt that large and prompt reductions of these forces will not only advance the cause of China’s political unity and economic development, but will hasten her financial rehabilitation,

“Therefore, without any intention to interfere in the internal problems of China, but animated by the sincere desire to see China develop and maintain for herself an effective and stable Government alike in her own interest and in the general interest of trade;

“And being inspired by the spirit of this Conference whose aim is to reduce, through the limitation of armament, the enormous disbursements which manifestly constitute the greater part of the encumbrance upon enterprise and national prosperity;

“It is therefore resolved that this Conference express to China the earnest hope that immediate and effective steps may be taken by the Chinese Government to reduce the aforesaid military forces and expenditures”

*Franklin Square Hotel, Washington, D.C.,
January 20, 1922.*

Appendix 2.

*Extract from Minutes of a Meeting of the British Empire Delegation held at
Washington on January 4, 1922 (Paper No B.E.D. 66th Conference)*

* * * * *

The Chinese Tariff.

2. The British Empire Delegation, on the suggestion of Mr. Balfour, placed formally on record their congratulations and thanks to the Right Hon. Sir Robert Borden, and Sir Hubert Llewellyn Smith who had assisted him, on their efforts, which had contributed so much towards the settlement of the question of the Chinese Tariff in the appropriate Commission of the Conference.

* * * * *

Printed for the Cabinet. February 1922.

SECRET.

W.D.C.-208.

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CABINET.

WASHINGTON CONFERENCE OF LIMITATION OF ARMAMENT.

*Copy of Despatch (No. 21) from Mr. Balfour to the Prime Minister, dated
February 2, 1922.*

(Previous Papers Nos. W.D.C.-13, 14, 24, 47, 62, 63, 71, 95, 96, 116, 117, 123, 157,
158, 159, 183, 184, 201, 202 and 206.)

Sir,

Washington, February 2, 1922.

AS you are aware it has more than once been suggested by His Majesty's Minister at Peking, and by the representatives there of other Powers, that the unsatisfactory state of affairs in the matter of the China Arms Embargo justified an attempt at its reaffirmation, being made by the Washington Conference. I would refer you more especially to Sir B. Alston's telegram No. 453* of the 9th December last.

2. An opportunity having presented itself, I accordingly introduced a draft Resolution before the Committee for Pacific and Far Eastern Affairs on the 24th January last (Enclosure No. 1).

3. There had been insufficient occasion to circulate advance copies of this Resolution to my colleagues, and it was no doubt largely on this account that the various Delegations showed less alacrity in dealing with the subject than might naturally have been expected seeing that all their Governments were already formally committed since May 1919 to the policy it embodied.

4. The Italian, Belgian and Netherlands Delegations having stated that they must consult their Governments, the Resolution was held over until they should have received their instructions.

5. In the interval informal discussion was carried on by a member of my staff with the various Delegations, and it was ascertained that the position was as follows: the French Delegation were entirely in favour of the reaffirmation of the embargo, and had indeed received instructions to raise the matter themselves if no other Delegation did so; the Japanese Delegation were equally in agreement, but had special difficulties to meet in view of certain outstanding Japanese contracts involving very considerable sums (see the Record of Conversation† with Mr. Hanihara forwarded in my despatch No. 140 of the 30th January), the Belgian Delegation anticipated no objection on the part of their Government, but had to await formal instructions; the American Delegation were anxious to see the matter put through, and quoted the legislation just passed by Congress (Enclosure 2) enabling the American Government to enforce the prohibition of export from the United States to China. As to the Italian Delegation, whilst professing their personal wish to see the Resolution adopted as it stood, without more ado, they intimated that they anticipated legal difficulties in making its application retroactive in the matter of contracts signed prior to the passing of the original Peking Resolution of May 1919.

6. In the circumstances there was no option but to await upon events. The first Delegation in a position to act was the Netherlands. On the 26th January Jonkheer Beelaerts von Blokland informed me in the letter of which I enclose a copy (Enclosure 3), that his Government were prepared to accept the Resolution as it stood with the exception of the words "materials destined exclusively for the manufacture of arms and munitions of war," which were not covered by the existing Dutch legislation. This point I was easily able to meet by the substitution of the

* W.D.C.-222.

† W.D.C.-216.

phrase "whether complete or in parts." The text of the amended Resolution is enclosed (Enclosure 4).

7 Meanwhile, the Belgian and Italian Delegations had received their instructions and the matter again came before the Committee on the 31st January. The American, Belgian and Netherlands Delegations at once notified their readiness to accept the Resolution in its amended form; but when it came to the turn of the Italian Delegation, Signor Schanzer, whilst asserting his Government's entire adherence to the policy of the Arms Embargo, added that their adherence was conditional upon the same reservation as that made by the Italian Legation at Peking in May 1919.

8. In these circumstances, it was no matter for surprise that, when it came to the vote of the Japanese Delegation, Mr. Hanihara at once stated that the Italian reservation prevented him from adhering to the Resolution now before the Committee.

9: The question came up again on the 1st February, when Mr. Hanihara defined the position of his Delegation. Ever since the Peking Resolution of 1919, Japan had loyally carried out her obligations, and had succeeded, not without great difficulty, in restraining her nationals from carrying out certain contracts signed before that date. But the Japanese Government could not reasonably be expected to hold these contracts back if Italian nationals for their part were to have full liberty to proceed with similar contracts. The Japanese Government warmly supported the policy embodied in the Resolution, now before the Committee, which they believed to be the right one, but in the circumstances their inability to adhere was not unjustifiable.

10. It was evident that matters had thus come to a complete deadlock; and when Signor Schanzer produced and read the instructions of his Government, showing that he had no option but to reaffirm the Italian reservation, it became obvious that no useful purpose was to be served by continuing the debate. I accordingly briefly summed up the situation and suggested that the Conference, having failed to reach unanimity, no course was open to me but to withdraw the Resolution and leave the matter over for negotiations between the various Governments through the ordinary, if less expeditious, channel of diplomatic correspondence at the various capitals. To this course Signor Schanzer, who, I think, realised the somewhat poor figure which his Government's instructions forced him to cut, at once agreed, whilst expressing the belief that the present difficulty would speedily be disposed of if the matter were dealt with as I had suggested.

11. Before letting the matter drop, both Mr. Hughes and I intimated that our respective Governments could hardly be expected to acquiesce in a state of affairs under which, under the guise of existing contracts, the nationals of one Power might be indulging in the lucrative arms trade whilst our nationals were debarred from participating by our legislation.

12 The matter thus stands as follows: The Resolution which I originally tabled on the 24th January, and amended to meet the Netherlands point of view on the 31st January, has been definitely withdrawn; the Japanese have announced that they cannot continue to hold their nationals in check so long as the Italian Government maintain their reservation. Both Mr. Hughes and I have left no doubt that our respective Governments share this point of view, and finally, at Mr. Hughes' suggestion, it has been left to the Italian Delegation to file their contracts with the Secretariat-General of the Conference, and make out the best case they can to justify their reservation, which, if the circumstances reported by His Majesty's Minister at Peking are correct, they may not find it altogether easy to accomplish.

13. The results are thus purely negative. Nevertheless, they appear to me to have justified my action and to be more satisfactory than the present intolerable situation.

I am, &c.
(Signed) ARTHUR JAMES BALFOUR.

Enclosure 1.

ARMS EMBARGO.

Draft Resolution.

(B.E.D.-204.)

THE United States of America, Belgium, the British Empire, France, Italy, Japan, the Netherlands and Portugal affirm their intention to refrain from exporting
China arms or munitions of war, or material destined exclusively for their

manufacture, and to prohibit such exportation from their territories or territories under their control until the establishment of a Government whose authority is recognised throughout the whole of China.

2. Each of the above Powers will forthwith take such additional steps as may be necessary to make the above restrictions immediately binding.

3. The scope of this Resolution includes all Concessions and Settlements in China.

4. The United States of America will invite the adherence to this Resolution of the other Powers in treaty relations with China.

Enclosure 2.

RESOLVED by the Senate and House of Representatives of the United States of America in Congress assembled, that whenever the President finds that in any American country, or in any country in which the United States exercises extra-territorial jurisdiction, conditions of domestic violence exist, which are or may be promoted by the use of arms or munitions of war procured from the United States, and makes proclamation thereof, it shall be unlawful to export, except under such limitations and exceptions as the President prescribes, any arms or munitions of war from any place in the United States to such country until otherwise ordered by the President or by Congress.

Enclosure 3.

Délégation Néerlandaise

à la Conférence de Washington.

le 30 janvier 1922.

(No. P.145.)

Dear Mr. Balfour,

I FEEL especially gratified in informing you that I have just been authorised by my Government to accept your draft resolution relating to the exportation of arms, &c., to China, as amended by yourself in the course of the last meeting of the Committee on Pacific and Far Eastern Questions.

With highest regards,

Sincerely yours,

(Signed) BEELAERTS VON BLOKLAND.

The Right Hon. Arthur James Balfour, O.M., M.P.,
1302, Eighteenth Street, Washington, D.C.

Enclosure 4.

ARMS EMBARGO.

Draft Resolution.

THE United States of America, Belgium, the British Empire, France, Italy, Japan, the Netherlands and Portugal affirm their intention to refrain from exporting to China arms or munitions of war, *whether complete or in parts*, and to prohibit such exportation from their territories or territories under their control until the establishment of a Government whose authority is recognised throughout the whole of China.

2 Each of the above Powers will forthwith take such additional steps as may be necessary to make the above restrictions immediately binding.

3. The scope of this Resolution includes all Concessions and Settlements in China.

4. The United States of America will invite the adherence to this Resolution of the other Powers in treaty relations with China.

[This Document is the Property of His Britannic Majesty's Government.]

Printed for the Cabinet. March 1922.

SECRET.

W.D.C.-215.

CABINET.

WASHINGTON CONFERENCE ON LIMITATION OF ARMAMENT.

*Copy of Despatch (No. 22) from Mr. Balfour to the Prime Minister, dated
February 4, 1922.*

(Previous Papers : Nos. W.D.C.-13, 14, 24, 47, 62, 63, 71, 95, 96, 116, 117, 123, 157,
158, 159, 183, 184, 201, 202, 206 and 208.)

Sir,

Washington, February 4, 1922.

I HAVE kept you fully informed as to the discussion on radio in China in the earlier stages of the conference, and also as to the informal conversations which took place on the subject between the experts of the various delegations after the arrival of Mr. F. J. Brown on the 27th December.

2. The question at one time threatened to give rise to some difficulty. The Americans, at a meeting of the Drafting Committee on the 20th ultimo, produced a draft resolution (as an alternative to the Viviani resolution of the 7th December) proposing that the nine Powers represented at the present conference should at once appoint a new committee to study the whole question of electrical communication facilities and services in China, and between China and other countries, with instructions to report as soon as possible, and in any case before the next meeting of the International Telegraph or Radio Telegraph Conference. Some desultory discussion took place, and the question was adjourned for a further meeting of the Drafting Committee. In the meantime, however, Mr. Root came to the conclusion that the question should in the first instance have been further considered by the main Pacific and Far Eastern Committee, the Viviani resolution not having been referred by that committee to the Drafting Committee. The subject was accordingly brought up before the main committee on the 24th January, when Mr. Root proposed a slightly modified form of his new draft resolution. The discussion was again adjourned.

3. After the meeting; however, Sir Auckland Geddes told Mr. Root that the British delegation were opposed to the appointment of a new committee on the subject—a source which would involve much delay; and he agreed that the British and American experts should consult together with a view to arriving at an agreed draft. It was found that the American expert, who appeared to be speaking with the authority of his delegation, was insistent on the embodiment in the new draft, in a somewhat modified form, of the resolution already passed on the 7th December with a view to the production of a single combined resolution on the subject. The British expert, while pointing out that this course might be regarded as objectionable in principle, and would probably give rise to protests on the part of other delegations, agreed provisionally to a combined draft of this kind, containing clauses of a somewhat colourless character, in addition to the substance of the resolution of the 7th December. His agreement was subject to an understanding that informal conversations should take place immediately, entirely outside the conference, between the experts of the four Principal Powers and China, with a view to compose the conflicting claims of their nationals in China.

4. The main modifications which the Americans desired in the proposed resolution were the omission of the explicit reference to press traffic in clause 1 and the prohibition of any increase in the power of the stations referred to in clause 4, or their use for ordinary commercial purposes, without China's consent. As regards the first point,

the Americans explained that they did not propose to use their Legation station at Peking for any but official messages, except in the case of interruption of other means of communication; but their newspapers had regarded the reference to press traffic as a special discrimination against the press, and that the United States delegation would prefer to express the prohibition by means of a more general phrase.

It seemed to the British delegation, however, that any omission of the explicit prohibition against press traffic might lead to the perpetuation of the unsatisfactory state of things at Peking, in which Reuter's news has largely been superseded by news received through the radio station at the United States Legation; and accordingly, when the combined draft was introduced by the United States delegation as their new proposal, at a meeting of the Pacific and Far Eastern Committee on the 25th January, Sir Auckland Geddes proposed the reinstatement of paragraph 1 of the resolution of the 7th December. This was at once agreed to.

5. The question of clause 4 of the resolution of the 7th December gave rise to much more difficulty. The French strongly objected to any restrictions being imposed on their Shanghai station, and urged strongly that the resolution of the 7th December, having already been passed by the committee, ought not to be touched. Some other delegations took the same view. Ultimately the whole question was referred to the Drafting Committee, with instructions to consider and report on the resolution of the 7th December, the Viviani draft and the new draft introduced by the United States delegation.

6. A meeting of the Drafting Committee was held the same afternoon, but no progress was made, mainly owing to the desire of the Americans to modify clause 4 of the resolution of the 7th December and the refusal of the French to consider any modification whatever of that resolution. Objection having once been raised to such modification, we took the line that the resolution must stand as unanimously agreed to on the 7th December, and most of the other delegations concurred. Here the matter stood when the meeting was adjourned.

7. When the Drafting Committee resumed next day, Mr. Root, who had apparently in the meanwhile had informal conversations with the French, withdrew the American proposal for a modification of the resolution of the 7th December, and said that his delegation would content itself with a reservation in the minutes of the conference as to the interpretation of clause 4. Sir Auckland Geddes suggested that this should be an agreed reservation, and drafted a declaration to the effect (1) that clauses 3 and 4 were not to be regarded as conveying any expression of opinion on the part of the Powers as to whether the stations in question were or were not authorised by China; and (2) that the result of the negotiations contemplated by clause 4 must conform to the principles of the "open door." This declaration was accepted by all the Powers other than China, whose adherence would have been inappropriate.

8. Mr. Root further said that his delegation had come to the conclusion that, in all the circumstances, no further resolution on the subject of electrical communications was necessary, and the meeting unanimously concurred. This solution of the question was adopted, practically without discussion, by the main committee on the 27th January, Mr. Sze making a formal declaration that the Chinese Government do not recognise the right of any foreign Power or its nationals to instal or operate radio stations in Legation grounds, settlements, concessions, leased territories, railway areas or other similar areas, without their express consent.

9. The way was thus left open for informal conversations among the experts of the four Powers, entirely outside the conference, on the lines mentioned above, with a view to the reconciliation of the conflicting wireless interests in China. It was found that there was no expert attached to the Chinese delegation who could usefully join in these conversations.

10. The conversations have since proceeded with some degree of success, and a signed copy of the conclusions which the experts have agreed to submit to their respective Governments is annexed. It had at first been hoped that a general combination of the wireless interests of the four Powers in China could have been effected. These Powers, it will be remembered, are the only Powers that have wireless interests in China at present—Great Britain through the Marconi Company, Japan through the Mitsui Company, the United States through the Federal Company, and France through the small French station in their concession at Shanghai. The French claims are more shadowy than the others; but in view of French progress in radio-telegraphy, and of the powerful station now being erected in Indo-China, it was felt that they could hardly be excluded from the proposed combination. It was soon found, however, that a general combination was impossible; the American expert being

opposed to that course, as he considered that the provision of radio communication between China and the United States was primarily a matter of concern to China and the United States alone. The recommendations accordingly contemplate broadly the establishment of two organisations, without monopoly in either case—the one an organisation of Sino-American interests (in which the Federal Company would take part) for providing communication between China and the United States; and the other an organisation consisting of British, French, Japanese and possibly other wireless interests, with the co-operation of China and of the Great Northern Telegraph Company, for providing communication between China and countries other than the United States. Communication between the United States and stations of the latter organisation in China is not, however, entirely barred. It is further contemplated that there should be a general combination of wireless interests (through a reorganisation of the Central National Wireless Company) for supplying wireless apparatus to the Chinese Government.

11. If the proposals are accepted by His Majesty's Government, it is suggested that they should be communicated at once to the British interests affected, viz., the Marconi Company and the Eastern Extension Telegraph Company; and that they should also be communicated to the British Minister at Peking as a guide to his future action. If the Marconi Company should accept the proposals, it is contemplated that they will immediately get into touch with the French and Japanese wireless interests, and also with the cable companies. It might be well also that they should get into touch with the Radio Corporation of America, which may possibly join the combination, and arrange for communication with the United States independently of the Federal Company's service.

In view of this possibility, the Federal Company may itself wish to enter into financial relationship with the combination, and negotiations might perhaps be initiated to this end. It is understood that this company is willing, at all events, to purchase plant from the Chinese National Wireless Company (in which the Marconi Company is interested) should the latter company be prepared to supply suitable plant on reasonable terms.

12. The Mitsui station is nearing completion, and if this station can be made to provide efficient communication (which by combined effort should be easily possible) its early opening should put the combination in a strong position, especially as the United States Government could hardly object to its being used for communications with the adjoining States, pending the erection of the Federal station, which may not be ready for eighteen months or two years. Time is probably the most important element in the situation, and early action on the part of the Marconi Company is desirable if they desire to secure their position in China, whether through the proposed combination or otherwise.

13. It is, of course, understood that if His Majesty's Government accepts the proposal, their protest against the Federal Company's contract will be dropped. It is also understood that the negotiations of the cable companies with the Chinese Government, which were suspended pending the results of the Washington Conference, will now be resumed.

I am, &c.
(Signed) ARTHUR JAMES BALFOUR.

Enclosure.

WE, the undersigned, experts for communications attached to the American, British, French and Japanese delegations to the Washington Conference, have held several informal conversations on the subject of radio communication in and with China, and desire to submit the following observations to our respective Governments:—

1. The British, French and Japanese experts have exchanged views for the purpose of bringing about, with the consent of China and of their respective private interests, a co-operative scheme looking to the provision of suitable radio stations in China for the establishment of services between China and other countries. Provision would be made in this scheme for the participation of the nationals of other countries on fair terms. While the scheme would look primarily to the provision of communication services between China and the territories of the countries whose nationals

participate, nevertheless communication services would be provided with other countries whose Governments gave consent.

The proposed co-operative organisation would have no monopoly or exclusive privilege and would be subject to Chinese laws and to such general international agreements relating to communications as China may be a party to.

While it is recognised that the Chinese Government may not for some time to come be in position to finance or to develop high-powered radio as a national undertaking, provision would nevertheless be made for the possible purchase by the Chinese Government, upon fair and reasonable terms, of stations provided in China by the co-operative undertaking.

It is proposed that the station now being erected near Peking should, upon fair and reasonable terms and with the consent of China, be included in the proposed co-operative scheme. The proposed heads of arrangement are shown in the Annex.

2. The American expert believes that probably radio-communication between China and the United States can best be developed by the erection in China of radio-stations primarily concerned in trans-Pacific communications, and that such stations preferably should be owned and operated by the Chinese Government or by Chinese or American private enterprise, and that the existing concession held by the Federal Telegraph Company should serve as a basis for providing Chinese-American service.

While such stations would be employed primarily for the provision of services between China and American territory and North America generally, nevertheless communication services could also be provided with other countries whose Governments gave consent. Other foreign-owned stations in China might also communicate with American territory, but the American Government might well prohibit such exchange of traffic in cases where the foreign enterprise operating in China or the country to which it owes allegiance does not reciprocally permit American-owned stations to communicate with its stations.

The existing federal concession contains no monopoly or exclusive privileges, and the stations therein contemplated would be subject to Chinese laws and to such general international agreements relating to electrical communications as China may be a party to.

While it is recognised that the Chinese Government may not for some time to come be in a position to finance or to develop high-powered radio as a national undertaking, provision should be made in concessions for Chinese-American communication (as in all other concessions) for the possible purchase by the Chinese Government, upon fair and reasonable terms, of the radio stations concerned.

3. The enterprises contemplated by (1) and (2) should be at liberty, with the approval of the Governments concerned, to arrange between themselves for the interchange of traffic and for such other understandings as may benefit their respective interests.

4. The provision of suitable radio stations in China for communicating with ships at sea is particularly desirable. If foreign-owned stations in China are authorised to handle ship and shore traffic, all the interests concerned should co-operate with the Chinese Ministry of Communications with a view to coming to a common understanding regarding such operations.

5. It appears desirable that the China National Wireless Company be broadened so as to make possible participation of other interests that can contribute patent rights, technical skill, or financial resources with a view to the development in China of factories capable of manufacturing a wide variety of radio apparatus. In conformity with the principle of the open door, such a company should not have a monopoly or preferential privileges, although it is recognised that the control of patents and the participation in the ownership of the company by the Chinese Government may go far toward creating a special situation.

We recommend that the Governments whose nationals are interested in the China Electric Company and the Chinese National Wireless Telegraph Company should urge the two companies voluntarily to come to an understanding that will prevent conflicts arising out of their respective manufacturing concessions.

6. We suggest that the four Powers recommend to China that an arrangement be entered into with the cable companies looking toward the continued working, for a limited period after the expiration of their existing contracts in 1930, of the Chinese coast cables and land-lines used in conjunction with the companies system, substantially

on the basis of the existing working agreements, provided no such arrangement involves any monopoly or preferential privilege and leaves a fair field for electrical communications in China and between China and other countries: the companies to notify the Chinese Government that they in turn will immediately withdraw any claim to a monopoly in wireless communication in China or between China and other countries, and thus leave free scope for wireless development, but without preference for wireless as compared with cables and landlines, except that the rates chargeable to the public for communication by wireless may be 25 per cent. (or in the case of press traffic more than 25 per cent.) lower than the corresponding rates by cable, and that the rate for communication by wireless with America may be as low as the wireless rate to Western Europe—these limits to be reconsidered after 1930.

(Signed)

WALTER L. ROGERS.
F. J. BROWN,
M. GIRARDEAU.
K. YOSHINO.
SAMOSUKIE INADA.

*Washington, United States of America,
February 4, 1922.*

Annex.

Proposed Heads of Arrangement respecting Wireless in China.

(Agreed to by the British, French and Japanese experts.)

1. A combination of British, French and Japanese wireless interests to be formed under the general authority of the Chinese Government, and with such financial, technical and other co-operation on their part as may be arranged, for the purpose (1) of constructing such wireless stations and supplying such wireless apparatus as that Government may desire it to construct or supply, either against cash payment or against the security of revenue derived from the stations; and (2) of working the stations until paid for or longer if China so desires; the financial basis of the combination to be substantially an equal share for each of the wireless interests in question, the Great Northern Telegraph Company to take a similar share if they so desire. Each interest concerned to have equal representation on the governing body of the combination. Details to be arranged by the several wireless interests in question, under the respective control of their Governments, in consultation with the Chinese Government.

2. Existing stations or stations in course of construction under concessions to any of the interests individually to be brought under the combination, suitable compensation being paid by the combination in respect of legitimate expenses already incurred.

3. The Chinese National Wireless Company to be reorganised, with the consent of the Chinese Government, in such a way as to include the wireless interests above mentioned, and also American wireless interests if they agree, on the basis of an equal share for each nationality; and to endeavour to arrange with the China Electric Company for a mutually satisfactory division of the field of manufacture of apparatus for electrical communication generally.

4. The Great Northern Telegraph Company to be at liberty either to set up a station in China, with the consent of the Chinese Government, to supplement its Peking-Siberian land-lines, on the understanding that such traffic only is forwarded by means of this station as is paid for at the land-line rates and would normally pass over these lines; or, as an alternative, to arrange for the use for that purpose of stations erected by the combination.

5. The combination to arrange for the embodiment of the best radio practice in the stations which it constructs and for the efficient working of the stations so long as it works them; but, subject to these conditions, the several wireless interests to take, as far as possible, an equal share both in constructing and in working the stations. The combination also to arrange, as far as possible, for the opening of services, on suitable terms, with any stations in other countries with which communication can be effected and whose Governments give consent.

6. All wireless traffic between China and other countries to be sent by the most direct route, unless the sender otherwise directs, or unless the direct route is interrupted or congested.

7. Subject to the concurrence of China, external radio traffic to be exchanged in the interior of China either by radio or by landing subject to the principle that within the interior of China the land-line and radio network will supplement each other.

8. The combination to secure from China an assurance (1) that she will not permit any stations in China which are not worked by the combination to use wave-lengths unduly near to those in use at stations in China worked by the combination, or otherwise to interfere electrically with the working of the latter stations; (2) that she will not exchange traffic with any competing organisation on terms more favourable than those enjoyed by the combination.

9. Any radio interest of other nationalities which desire to enter the combination to be allowed to do so with the consent of the original members on a basis representing the capital invested in their undertakings in their own countries as compared with the total capital invested in the undertakings of the original interests in their own countries, provided (1) that no new nationality takes a greater share than each of the original nationalities; (2) that the new interest is able, if desired by the combination, to open a station in its own country for communication with stations of the combination in such a way as to ensure an efficient service between such country and China; (3) that the new interest refrains from competition with the combination in China; and (4) that it uses its best endeavours to secure the consent of its Government to these heads of arrangement as a whole.

10. The three Powers whose wireless interests are originally affected, to support, diplomatically, the arrangements above set forth, and not to support other wireless undertakings in China so long as the conditions remain substantially as at present.

(Signed)

F. J. BROWN.

M. GIRARDEAU.

K. YOSHINO.

SAMOSUKIE INADA.

February 4, 1922.

Printed for the Cabinet. March 1922.

SECRET.

W.D.C. 222.

CABINET.

WASHINGTON CONFERENCE ON LIMITATION OF ARMAMENT.

*Copy of despatch (No. 23) from Mr. Balfour to the Prime Minister, dated
February 4, 1922.*

(Previous Papers: Nos. W.D.C. 13, 14, 24, 47, 62, 63, 71, 95, 96, 116, 117, 123,
157, 158, 159, 183, 184, 201, 202, 206, 208 and 215.)

Sir,

Washington, February 4, 1922.

OF the subjects on the American agenda for discussion at Washington there was none that from the outset offered such small prospects of solution as the Chinese Eastern Railway.

2. Realising the peculiar complexity of the question, Mr. Hughes at once referred it to a sub-committee of experts, when it came before the Conference. As already recorded in my despatch No. 19 of the 25th January,* the report of this sub-committee (a copy of which is already in your hands) was referred back to a sub-committee of full Delegates for further study and report. This sub-committee has been no better able than the expert sub-committee to suggest a practical solution.

3. The circumstances in which the Inter-Allied Technical Board at Harbin came into being need hardly be recalled here, nor the difficulties which it has steadily encountered since it was set up. The Board was instituted for a specific purpose, namely, the efficient working of the Transsiberian and Chinese Eastern Railway systems during the Allied military operations in the zone which they serve. With the withdrawal of the Allied troops from Transbaikalia in 1920 the original purpose of the Technical Board had been fulfilled. It was kept alive for purely political reasons wholly alien to the original objects for which it had been established.

4. The Board became, in fact if not in name, an international observation post to watch events upon the railway and to guard against the absorption of the Chinese Eastern Railway by any Power or Powers, pending some authoritative and indisputable decision as to its true ownership. Since then the abolition of all Russian authority on Chinese soil has taken place, and a further complicating factor has arisen in the determination of the Chinese Government to profit by the collapse of Russia and to assert their control over the railway and the railway zone without waiting for their reversionary interest in the line under the original contract of the 8th September, 1896, to mature.

5. These were the facts with which the expert sub-committee were confronted. And in face of them it is not easy to see what recommendation they could have made with any prospect of common acceptance. Their terms of reference were "to consider at once whether there was anything that could be done at this Conference which would aid in prompting the efficiency of the railway and its proper management." To do this left them with no alternative but to recommend something running counter to Chinese aspirations.

6. The expert sub-committee accordingly recommended three things: (1) the abolition of the present Inter-Allied Railway Committee at Vladivostok and of the Technical Board at Harbin, and the establishment in their place of an International Finance Board to exercise general financial control and trusteeship over the line; (2) that the technical operation of the line should be definitely and entirely in the hands of the Chinese Eastern Railway Company; and (3) the organisation of an effective police force composed, if considered desirable, of

* See W.D.C. 202.

Chinese, but under the control of the Finance Board, to ensure the proper protection of the railway and of the railway zone. In this report the Chinese technical expert was unable to acquiesce, for the reasons stated in the reservations which he attached to the report.

7. These were the conflicting points of view which the sub-committee of full delegates was called upon to reconcile, and their first step was to consider a counter-scheme put forward by Dr. Wellington Koo (Enclosure 1), in which he sought to find a basis of compromise between the Chinese and majority points of view. At first it seemed possible that some basis of agreement might be reached, but a sharp cleavage speedily developed between the Chinese, Japanese and French Delegations.

8. I need not trouble you with details of the discussions, full particulars of which are recorded in the official minutes (Enclosures Nos. 2, 3 and 4). All attempts to find a basis of agreement failed, and finally Mr. Root, as Chairman of the sub-committee, moved a "shelving" resolution which it was decided to submit to the main Committee. At the same time he suggested that the Powers other than China should pass a formal reservation warning China of the obligations which she was assuming towards the various foreign interests in the Chinese Eastern Railway Company for which she would be held formally responsible.

9. Mr. Root reported to the full Committee on Pacific and Far Eastern Affairs on the 2nd February, when the resolution and reservation were duly passed (Enclosure No. 5).

10. It is thus obvious that this Conference had failed to solve the question of the Chinese Eastern Railway, but it is difficult to see what other course could more profitably have been followed. One of the basic principles adopted by the Conference in its initial stages was the reassertion of respect for Chinese sovereign rights. That principle is in itself irreconcilable with the establishment, without Chinese consent, of any degree of foreign control (however much justified by precedent) over a railway running for over 1,000 miles through Chinese territory. Yet if the efficient working of that railway as a necessary link connecting Europe with Eastern Asia and the sea and its proper management are to be achieved, some degree of foreign control seems almost essential.

11. The Chinese Delegation refused to accept the hand held out to them by the Conference at Washington. Possibly events may prove that they were well advised. On the other hand, they have rejected a practical scheme of foreign assistance made in all sincerity and under the direct inspiration of the American Government. This scheme had been acquiesced in by all the interested Powers, and would have had the advantage of permanently assuring the non-alienation of China's ultimate reversionary rights in the line. History alone can judge on which side the balance of advantage to China lies.

I am, &c.
(Signed) ARTHUR JAMES BALFOUR.

Enclosure 1.

Mr. Koo's Draft Resolution.

WHEREAS the Chinese Eastern Railroad and Transsiberian Railways are indispensable factors in the economic development of Siberia and Northern Manchuria and constitute an essential link in a transcontinental railway system of international importance, and whereas their preservation, efficient operation and maintenance as a free avenue of commerce open to citizens of all countries are a matter of general interest;

Whereas an Agreement in harmony with the foregoing considerations was concluded in January 1919 between several of the Powers represented at this Conference, to wit, the United States of America and Japan, under the term of which Agreement China, France, Great Britain and Italy subsequently co-operated for the temporary operation of the said railways, with a view to their ultimate return to those in interest without impairing any of the existing rights;

Whereas the said Agreement provides among other things for the creation of a Technical Board constituted of representatives of the nations then having military forces in Siberia for the purpose of maintaining the operation of the railways and assisting in their technical and economic management;

And whereas it appears advisable to amend the terms of the said Agreement in order to meet the changed conditions and so that the fundamental purposes of the said Agreement may be better subserved :

It is agreed between the Powers parties to such Agreement—

1. That the Technical Board shall henceforth be entrusted with carrying out the purposes set forth in the introductory paragraphs of this resolution.
2. That the Technical Board shall be authorised to advise and assist the President and Board of Management of the Chinese Eastern Railway and of the Ussuri Railway, respectively, in the matter of borrowing from bankers and outside sources on fair and equitable terms and shall supervise the expenditure of such loan funds.

In so far as the technical operation of the railroads is concerned, the Committee will not interfere with such operation, which is to be left in the hands of the Chinese Eastern Railway Company, except so far as may be necessary to meet the conditions set in the first sentence of this paragraph.

3. That the Chinese Government, in accordance with article 5 of the Agreement of the 8th September, 1896, with the Russo-Chinese Bank for the construction of the Chinese Eastern Railway, will continue to assure the safety of the railway and the persons in its service against any attack, and for the more effective execution of this purpose will provide an adequate modern, trained and equipped police force or gendarmerie, it being understood that in the future, as soon as an agreement shall be reached with the Technical Board for the borrowing of the necessary funds, the said force shall be paid by the said railway.

Resolution.

Resolved, that the preservation of the Chinese Eastern Railway for those in interest requires that better protection be given to the railway and the persons engaged in its operation and use ; a more careful selection of personnel to secure efficiency of service ; and a more economical use of funds to prevent waste of the property.

That the subject should immediately be dealt with through the proper diplomatic channels.

Reservation.

The Powers other than China in agreeing to the resolution regarding the Chinese Eastern Railway reserve the right to insist hereafter upon the responsibility of China for performance or non-performance of the obligations towards the foreign stockholders, bondholders and creditors of the Chinese Eastern Railway Company which the Powers deem to result from the contracts under which the railroad was built and the action of China thereunder and the obligations which they deem to be in the nature of a trust resulting from the exercise of power by the Chinese Government over the possession and administration of the railway.

Enclosure 2.

First Meeting of the Sub-Committee of Delegates on the Chinese Eastern Railway, held in the Supervisors' Committee Room of the Pan-American Union Building, Tuesday, January 31, 1922, 12 noon.

(Strictly Confidential.)
(C.E.R. 3.)

Present:

United States.

Mr. Root.
Accompanied by—
Mr. Poole.

Belgium.

Baron de Cartier.
Accompanied by—
M. de Warzee.

British Empire.

Sir Auckland Geddes.
Accompanied by—
Sir H. Llewelyn Smith.
Mr. Lampson.

China.

Mr. Koo.
Accompanied by—
Dr. Hawklng Yen.

France.

M. Kammerer.
Accompanied by—
M. Raindre.

Italy.

Senator Albertini.
Accompanied by—
Count Pagliano.

Japan.

Mr. Hanihara.
Accompanied by—
Mr. Matsudeira.
Mr. Aman.
Mr. Kanai.

The Netherlands.

Jonkheer Beelaerts van Blokland.
Accompanied by—
Jonkheer van Starckenborgh.
M. de Kat Angelino.

Portugal.

Captain Vasconcellos.

The Secretary-General, assisted by Mr. Osborne and Mr. Cresson.

M. Camerlynck, Interpreter.

The Chairman (Mr. Root) called the meeting to order, and asked the Secretary-General to ascertain if representatives of the nine Powers were present. This was done, and it was found that all nine Powers were represented.

The Chairman said that the report of the Technical Sub-Committee on Chinese Eastern Railway had been referred by the Committee on Pacific and Far Eastern Questions to the Special Sub-Committee.

The Chairman suggested that the report be read, but, as all the members of the Sub-Committee had copies, it was agreed that it was unnecessary to have either the report or the observations and reservations in regard to it made by Dr. Hawklng Yen read. The Chairman said that, if he understood correctly the reservations, the Chinese Delegation declined to agree to certain recommendations in the report which they deemed would be infringements of Chinese sovereignty; the provisions in question were those governing the international control of the armed forces which protected the railway and the persons connected with the railway, and other provisions which governed the conditions of operation and the expenditure of funds. The Chairman then declared that the report, together with the observations and reservations by the Chinese Delegation, were before the Sub-Committee for its consideration.

Mr. Koo said that, with reference to the report, the views of the Chinese Delegation had been laid before the Sub-Committee which drew the report, and later before the full Committee; he was glad, however, to have an opportunity of presenting their views in a more concrete form. The question was essentially a *de facto* question. The desire of the Powers represented at the Conference, other than China, to see the railway operated and maintained in an efficient

manner, coincided with the purpose of the Chinese Government. If the Chinese Delegation had found it difficult to accept the report, it was merely because of the peculiar situation in which the Chinese Government found itself in reference to this railway. It was needless for him, Mr. Koo said, to recall the special features and characteristics of this railway line; by way of illustration he might mention the fact that it was situated entirely on Chinese territory. The Chinese Delegation welcomed the co-operation of the other Powers in so far as it contributed to the efficiency of the road and to the successful safeguarding of its fundamental interests, without prejudicing the rights of sovereignty inherent in China. On that basis the Chinese Delegation had certain modifications of the report which they wished to propose.

The Chairman said that the Sub-Committee would doubtless be glad to hear the modifications proposed by the Chinese Delegation.

Mr. Koo said that the Chinese Delegation had ventured to recast the plan originally drafted in regard to the Chinese Eastern Railway and to put it in a form which, on the one hand, served the practical purpose underlying the report of the Sub-Committee of Experts, and which, on the other hand, would remove any possible grounds of misconception in the minds of the Chinese Republic. The draft of the proposal which he was about to read dealt also with the Ussuri Railway, because the question, with which the Sub-Committee was dealing, originated in the Inter-Allied Agreement of the 9th January, 1919, which dealt with the whole system of the Transsiberian and the Chinese Eastern. It would be difficult for the Chinese Delegation to explain the matter to the Chinese people if one railroad was singled out for special consideration and if no consideration was given to the Ussuri Railroad, which was an essential connection with the Chinese Eastern, if the latter was to be really a great avenue of commerce.

Mr. Koo then read the following statement:—

“Draft Resolution concerning the Chinese Eastern Railway and Ussuri Railway..

“Whereas the Chinese Eastern and Transsiberian Railways are indispensable factors in the economic development of Siberia and Northern Manchuria and their preservation, their efficient operation and their maintenance as a free avenue of commerce, open to the citizens of all countries, are a matter of general interest;

“Whereas an Agreement in harmony with the foregoing considerations was concluded in January 1919 between several of the Powers represented at this Conference, to wit, the United States of America and Japan, under the terms of which Agreement China, France, Great Britain and Italy subsequently co-operated, for the temporary operation of the said railways with a view to their ultimate return to those interested without impairing any of the existing rights;

“Whereas the said Agreement provided, among other things, for the creation of a Technical Board consisting of railway experts of the nations then having military force in Siberia, for the purpose of administering technical and economic management of the said railways; and

“Whereas it appears advisable to amend the terms of the said Agreement in so far as relates to the functions of the said Technical Board, to the end that the fundamental purpose of the said Agreement may be better subserved:

“It is agreed between the Powers attending the present Conference:—

- “1. The Technical Board shall replace the Inter-Allied Committee and take over the duty of supervising the operation of the Chinese Eastern Railway and the Ussuri Railway heretofore performed by the said Committee.
- “2. That the Technical Board shall be authorised to advise and assist the President and Board of Management of the Chinese Eastern Railway and of the Ussuri Railway respectively in the matter of borrowing from bankers and other outside sources on fair and equitable terms and of supervising the expenditure of loan funds.
- “3. That the Chinese Government, in accordance with article 5 of the Agreement of the 8th September, 1896, concluded with the Russo-Chinese Bank for the construction of the Chinese Eastern Railway, will continue to assure the safety of the railway and of the persons

in its service against any attack, and, for the more effective execution of this purpose, will provide an adequate modern, trained and equipped police force or gendarmerie, it being understood that the said force shall be paid by the said railway in such manner as the Board of Management, with the advice of the said Technical Board, may decide."

Mr. Koo added that what he had read was only a rough draft, and that he would be glad if the Chairman would invite his colleagues to make observations on it. The original plans of the Technical Sub-Committee had been taken as a basis, and had been changed as little as possible.

The Chairman said that the proposed substitute of the Chinese Delegation was now before the Committee for discussion.

Sir Auckland Geddes asked if the Chinese Delegates would inform the Committee how much was covered by the Ussuri Railway.

The Chairman said that there was a further question in regard to the Ussuri Railway; it was in Russian territory, not in China, and there was no representative of Russia of any kind present at the Conference. As he understood it, the territory on which the Ussuri Railway was situated was claimed by the so-called pre-Amur Government. It was on the peninsula running down to Vladivostok; this territory was also claimed as the Maritime Province of the so-called Far Eastern Republic. Neither of these Governments were recognised by any Government represented at the Conference; hence it was a little difficult to deal with the Ussuri Railroad.

Mr. Koo said that Ussuri Railroad ran from Vladivostok to Nikolsk with a branch to Suchan Mines, and a section from Spasskoe to Ussuri. The Chinese Eastern Railway was of little value as an avenue of communication without the Ussuri Railway, as the latter furnished the only access to the sea for the Chinese Eastern. Furthermore, the Inter-Allied Agreement, which was still in force, had been based on the principle of taking care of the Transsiberian system, including the Chinese Eastern, for the Russian people. This Inter-Allied Agreement had been made by the Powers, including China. Russia had not been represented at that time, any more than to-day.

The Chairman said that provision could be made for this question by some clause making operations on the Ussuri Railway dependent on the absence of any countervailing force. He did not believe that China would care to assume the obligation provided in clause 3, to "continue to assure the safety of the railway and the persons in its service against any attack."

Mr. Koo replied that China could not assume such an obligation in regard to the Chinese Eastern Railway.

The Chairman said that a paper had been handed in yesterday which had been prepared by some of the members of the Technical Sub-Committee, and which appeared to be very much like the paper read by Mr. Koo. He judged from what had been said to him that it embodied the views of the members of the Technical Sub-Committee in question. It might possibly be useful, the Chairman added, to read this paper and see how it compared with Mr. Koo's. The Chairman then read the following:—

"Whereas the Chinese Eastern Railroad is an indispensable factor in the economic development of Siberia and Northern Manchuria, and constitutes an essential link in a transcontinental railway system of international importance, and whereas its preservation, efficient operation and maintenance as a free avenue of commerce, open to citizens of all countries, are a matter of general interest;

"Whereas an Agreement in harmony with the foregoing considerations was concluded in January 1919 between several of the Powers represented at this Conference, to wit, the United States of America and Japan, under the terms of which Agreement China, France, Great Britain and Italy subsequently co-operated for the temporary operation of the said railways, with a view to their ultimate return to those in interest without impairing any of the existing rights;

"Whereas the said Agreement provides, among other things, for the creation of a Technical Board constituted of representatives of the nations then

having military forces in Siberia for the purpose of maintaining the operation of the railways and assisting in their technical and economic management; and

“Whereas it appears advisable to amend the terms of said Agreement in order to meet the changed conditions, and so that the fundamental purposes of the said Agreement may be better subserved :

“It is agreed between the Powers attending the present Conference :—

“1. That the Technical Board shall henceforth be considered as replacing the bodies formed in 1919, and shall be entrusted with carrying out the purposes set forth in the introductory paragraphs of this resolution.

“2. That the Technical Board shall advise and assist the President and the Board of Management of the Chinese Eastern Railway in the matter of borrowing from bankers and outside sources on fair and equitable terms, and shall supervise the expenditure of such loan funds.

“In so far as the technical operation of the railroad is concerned, the Committee will not interfere with such operation, which is to be left in the hands of the Chinese Eastern Railroad Company, except so far as may be necessary to meet the conditions set in the first sentence of this paragraph.

“3. That the Chinese Government, in accordance with Article 5 of the Agreement of the 8th September, 1896, with the Russo-Chinese Bank for the construction of the Chinese Eastern Railway, will continue to assure the safety of the railway and the persons in its service against any attack, and for the more effective execution of this purpose will provide an adequate, modern, trained and equipped police force of gendarmerie, it being understood that in the future, as soon as an agreement with the Technical Board shall be reached for the borrowing of the necessary funds, the said force shall be paid by the said railway in such manner as the Board of Management, with advice of the Technical Board, may decide.”

Mr. Root (after reading statement prepared by certain members of the Committee or their technical staffs), said that this paper, except for certain modifications, seemed to be the same in substance as that read by *Mr. Koo*, and he supposed that the Committee might take this paper as an attempt on the part of the persons interested, directly or indirectly, through investment in the Chinese Eastern Railway, or on the part of Delegations representing such persons, to do the same thing that *Mr. Koo* had attempted to do from the point of view of the Chinese Government. In fact the two papers might be considered as two attempts to do the same thing along different lines. The question before the Committee was the reconciliation of the two. Before either of them, or a modification of both, was adopted by the Committee, he desired to make some suggestions as to the true situation in regard to the Chinese Eastern Railway as it had presented itself to him after a study of the relations to each other of the different parties concerned. In listening to him, the members of the Sub-Committee should bear in mind that he, in speaking, had in mind the need or desirability of making certain reservations at this time to guard against controversies in the future between China and some or all of the Powers who are represented at the table. He wished to present to the Sub-Committee some points which ought to receive consideration at the present time, and which ought to be understood before the Committee adopted—as he supposed it would adopt, after a proper consideration—a modification of the paper which he had just read.

The Chinese Eastern Railway, *Mr. Root* continued, had been built and was now owned by a Corporation which had received its seal from the Chinese Government, and was therefore a Chinese Corporation. It had been created pursuant to a contract of the 8th September, 1896, between the Chinese Government and the Russo-Chinese Bank; the Corporation was to be formed—and it later was actually so formed—as a stock Corporation. It proceeded to build the Chinese Eastern Railway with money which was raised in three ways, namely :—

1. The sale of stock.
2. The issue of bonds (which were offered for sale in the open market, and which had been sold very largely to investors of French nationality).
3. Loans, *i.e.*, advances, from the Russian Government.”

The Corporation had been governed by a Board of nine Directors elected by the stockholders. In the original contract the Chinese Government vested in this Corporation the complete and exclusive right to operate the railway on its own account and risk, and also the absolute and exclusive right of administration of its lands. It might employ as many foreigners or natives as it thought necessary.

In the contract the Chinese Government specifically undertook to assure the safety of the railway line and the persons in its service from attack. This was repeated in the Treaty between Russia and China of 1902, whereby China undertook the obligation of assuring the safety of the line and the persons employed by the Company.

In 1919 the disturbed conditions incidental to the war led to an Inter-Allied Agreement, which was originally made between the United States and Japan, but in which China, France, Italy and Great Britain later became participants. The moving cause of this Agreement was the situation of the Czechoslovak troops, who were prevented by the Bolsheviki from leaving Russia. In accordance with this Agreement, both the Chinese Eastern Railway and the Ussuri Railway were placed under the control of an Inter-Allied Commission. The Agreement remained in force for some time, and the Chinese Delegate had just stated his belief that it was still in force.

In the meantime, on the 2nd October, 1920—while the Inter-Allied Agreement, was still in force and operative—the Chinese Government entered into an alleged contract, or what purported to be contract, with the Russo-Asiatic Bank, or persons avowedly representing such an organisation who claimed to be the successors in interest of the Russo-Chinese Bank. This alleged contract or Agreement contained, among others, the following:—

“1. A declaration by the Chinese Government that:

“In view of the situation created by the complete political disorganisation in Russia, rendering temporarily impossible for the said Company the maintenance of regular operation;

“Having regard, moreover, to its rights of sovereignty;

“Finds itself under the obligation to take measures indispensable not only for the safeguarding and for the maintenance of communications which are of world interest, but also for effective protection over the property of the said railway; by reason of the obligation stated above, the Chinese Government has, under date of the 2nd October, 1920, notified to the bank its decision to assume provisionally, pending such arrangement concerning the railway as the Government may reach with the Russian Government that may be recognised by China, the supreme control exercised over the said railway by virtue of the contract and of the regulations in force,” &c.

2. A provision that the Chinese Eastern Railway should pay to the Chinese Government, in bonds of the railway, a sum of 5,000,000 Kuping taels, which should have been paid under the original agreement to China.
3. A provision that the Chinese Government should have the right to name, in addition to the President, four members of Chinese nationality upon the directorate of the railway who were not necessarily shareholders of the company.

It was manifest, Mr. Root continued, that China, in the exercise of her sovereign rights, was entitled to take possession of a railway which had been constructed in her territory and which was owned and operated by a Chinese corporation. China had both the right and power to take such a step; but it was also manifest that the so-called contract of the 2nd October, 1920, added nothing to this right on the part of China. No further authority was needed. This alleged contract purported also to add to and supplement the contract of 1896, and it could not do this, as the original contract had been executed and the Russo-Chinese Bank, which was a mere holding company, had accordingly no more authority in the premises.

Certain consequences, Mr. Root said, flowed from these conclusions. One was that the Chinese Government by the control which it had assumed over the railway, through its power to name directors, had taken the railway out of the hands of the stockholders and assumed the obligations resulting from this act. Another result was that China had assumed the obligations of a trustee and must sooner or later be held accountable internationally by foreign shareholders

and bondholders and by the future Russian Government as a creditor of the railway to the extent of several hundred of millions of gold roubles. Thirdly, China must act as a trustee and was not at liberty to do anything that a trustee could not do. The Chinese Government was not at liberty to pay to itself, out of this property, held in trust, the sum of 5,000,000 Kuping taels in bonds of the railway. Such bonds, if issued, would be invalid, and would be subject to attack by anyone who was interested in the railway. The execution of the alleged contract of the 2nd October, 1920, would be an international wrong—a tort—for which any interested person would be entitled to reparation. A further conclusion was that China was bound to regard in all her treatment of the property of the railway and in any disposition made of it all the creditors of the railway, including the Russian Government, the French security holders and certain of the Allied Powers.

China was bound to regard herself as a trustee, and the paper which he had just read must be regarded as a tentative attempt to execute this trust and put the trusteeship in form. China had agreed to protect the railway from external attack; this obligation was, however, not now being performed. Everyone was sure that, when various difficulties had been overcome and there was again a stable Government in China, she would again discharge this obligation, but at the present time it was certainly not being met. The damage that was being done to the railway and its property was very great and Mr. Root believed that it was important for China to consider her liability in this respect, which was a double one, first, under the contract of 1896—the obligation of which was reiterated in the treaty with Russia of 1902—and, second, as the trustee. Whatever paper might be agreed upon by the Committee should be accompanied by a declaration that the Powers did not waive their rights to claim from China due redress for her failure to discharge the obligations under which she rested.

Mr. Hanihara said that in regard to the nationality of the Chinese Eastern Railway Corporation, there was one point which he wished to emphasise as an observation on the part of the Japanese Delegation. If he had correctly understood the Chairman's statement, the latter had said that the Chinese Eastern Railway Company was a Chinese corporation. The natural inference from this was that the Chinese Eastern Railway was Chinese property. If it was proposed to take any action on that basis, he was sorry to have to state that the Japanese Delegation was not authorised to discuss the matter. The Japanese Delegation had thought that the Conference was not going to discuss treaty rights or rights of interest, but was going to take facts as they were and try to find means of assisting the operation of the railroad. He felt strongly that a discussion in regard to all the conditions concerning the railway had not been authorised. In view of the great interest which Japan had, he hoped he might be permitted to make the reservation that the Japanese Delegation was not prepared to discuss the subject on the basis proposed.

The Chairman said that he did not think that the consequences feared by Mr. Hanihara would follow. The fact that the railway company was a Chinese corporation led to no consequences as to ownership; it was the property of its stockholders and creditors, but was subject to Chinese sovereignty. The Sub-Committee had the right to give consideration to what the true relation between the Government and the railway was.

M. Kammerer said he had listened with interest to the Chairman's reservations, and for his own part he desired to make the same reservations as his Japanese colleague. He did not propose to enter into any discussion regarding the character of the railroad company. It appeared to him to be a Russian corporation, and its powers arose from the terms of the agreement with Russia, but he did not wish to discuss this question. Whether this point of view were adopted or not changed nothing with respect to the rights and obligations of China. The Committee could not discuss the validity of the 1920 Agreement. The French Delegation had no powers to discuss its validity; but if its validity were once agreed to, it seemed quite possible to discuss the present situation. In conclusion he wished to say that the remarks of the Chairman had led him to believe that the Chairman was wholly in favour of adopting the resolutions.

Mr. Koo said he had forgotten to state that his action in laying the draft, which he had read, before the Sub-Committee was without the authority of his Government; he had taken the step from an earnest desire to find a practicable

solution of a difficult question since the agreement of all parties was necessary for any satisfactory solution. He wished to point out this in order to forestall any possible future misunderstanding.

In regard to the Chairman's statement concerning the nature of the connection of the Chinese Government with the railway zone, he thought all his colleagues would agree with him that this was a very important matter. He felt certain that he would be expected to furnish the Sub-Committee with the views of the Chinese Delegation regarding it, and with such information as they had at their disposal, and he desired an opportunity of doing so.

The Chairman suggested the appointment of Mr. Koo and M. Kammerer as a Sub-Committee to consider and to reconcile the two papers which had been read.

The suggestion received general assent and

Mr. Koo and M. Kammerer both agreed that they would be glad to act in the capacity proposed by the Chairman.

The Sub-Committee then adjourned until 10:30 A.M., Thursday, 2nd February, 1922, the date and time set to be tentative and subject to future adjustment by the Chairman.

Enclosure 3.

Second Meeting of the Sub-Committee of Delegates on the Chinese Eastern Railway, held in the Governing Board Room, Pan-American Union Building, Wednesday, February 1, 1922, 3:45 P.M.

(Strictly Confidential.)
(C.E.R. 4.)

Present:

United States.

Mr. Root.
Accompanied by—
Mr. Poole.

Belgium.

Baron de Cartier.
Accompanied by—
M. de Warzee.

British Empire.

Sir Auckland Geddes.
Accompanied by—
Sir H. Llewellyn Smith.

China.

Mr. Koo.
Accompanied by—
Dr. Hawking Yen.
Mr. Woo.
Mr. Tu.

The Secretary-General, assisted by Mr. Osborne and Mr. Cresson.
M. Talamon, Interpreter.

France.

M. Kammerer.
Accompanied by—
M. Raindre.

Italy.

Senator Albertini.
Accompanied by—
Count Pagliano.

Japan.

Mr. Hanihara.
Accompanied by—
Mr. Matsudeira.
Mr. Aman.
Mr. Kishida.

The Netherlands.

Jonkheer Beelaerts van Blokland.
Accompanied by—
Jonkheer van Starckenborgh.

Portugal.

Captain Vasconcellos.

The Chairman said that Mr. Koo and M. Kammerer had been asked to try to reconcile the two drafts which had been read at the last meeting, in regard to the Chinese Eastern Railway. He asked whether Mr. Koo and M. Kammerer were ready to report.

The following draft, drawn up by Mr. Koo and M. Kammerer was submitted:—
“Whereas the Chinese Eastern Railroad and Transsiberian Railways are indispensable factors in the economic development of Siberia and Northern Manchuria and constitute an essential link in a transcontinental railway

system of international importance, and whereas their preservation, efficient operation and maintenance as a free avenue of commerce, open to citizens of all countries, are a matter of general interest ;

“Whereas an Agreement in harmony with the foregoing considerations was concluded in January 1919, between several of the Powers represented at this Conference, to wit, the United States of America and Japan, under the terms of which Agreement China, France, Great Britain and Italy subsequently co-operated for the temporary operation of the said railways, with a view to their ultimate return to those in interest without impairing any of the existing rights ;

“Whereas the said Agreement provides among other things for the creation of a Technical Board constituted of representatives of the nations then having military forces in Siberia for the purpose of maintaining the operation of the railways and assisting in their technical and economic management ; and

“Whereas it appears advisable to amend the terms of said Agreement, in order to meet the changed conditions and so that the fundamental purposes of the said Agreement may be better subserved :

“It is agreed between the Powers attending the present conference :—

“1. That the Technical Board shall henceforth be considered as replacing the bodies formed in 1919, and shall be entrusted with carrying out the purposes set forth in the introductory paragraphs of this resolution.

“2. That the Technical Board shall be authorised to advise and assist the President and the Board of Management of the Chinese Eastern Railway and of the Ussuri Railway, respectively, in the matter of borrowing from bankers and outside sources on fair and equitable terms, and shall supervise the expenditure of such loan funds.

“In so far as the technical operation of the railroad is concerned the Committee will not interfere with such operation, which is to be left in the hands of the Chinese Eastern Railroad Company, except so far as may be necessary to meet the conditions set in the first sentence of this paragraph.

“3. That the Chinese Government, in accordance with Article 5 of the Agreement of the 8th September, 1896, with the Russo-Chinese Bank for the construction of the Chinese Eastern Railway, to assure the safety of the railway and the persons in its service against any attack, and for the more effective execution of this purpose will provide an adequate, modern, trained and equipped police force or gendarmerie, it being understood that in the future, as soon as an agreement shall be reached with the Technical Board for the borrowing of the necessary funds the said force shall be paid by the said railway.”

M. Kammerer, commenting on this draft, said that it had been easy for his colleague, *Dr. Koo*, and himself to reconcile the text of the two documents. *Dr. Koo's* draft had been taken as a basis, but two or three modifications had been agreed upon :—

1. They had reintroduced the words “Transsiberian Railway” into the text to indicate that the Chinese Eastern Railway was part of the system stretching from Europe to Asia.
2. The two last lines of Article 3 had been suppressed as superfluous.
3. The words “Ussuri Railway” had been reintroduced because the Chinese Eastern Railway must be logically considered as stretching from Manchuria to Vladivostok, in which case it included the part known as the Ussuri.

The Chairman inquired what lines of the original document had been left out as superfluous.

M. Kammerer said that the lines omitted were those beginning “The said force shall be paid,” &c. It was not believed necessary to include these because that was a matter of agreement between the company and the Board.

Mr. Koo said that he wished to associate himself with what his French colleague had said, particularly as to the importance of including the Ussuri Railway.

The Chairman asked what was the pleasure of the Committee in regard to this draft.

Jonkheer Beelaerts van Blokland said he desired to ask the gentlemen who had been good enough to draft the resolution to give some particulars about the Ussuri Railway. This line was not on Chinese but on Russian territory, and discussion concerning it seemed to lie beyond the scope of the Sub-Committee. Personally, he acknowledged his deficiency of information in regard to this road. He would like to know, for example, whether the Ussuri Railway did or did not belong to a private company.

M. Kammerer said the Ussuri Railway had two branches, one from the frontier to Vladivostok and another from Vladivostok to Habarovsk. It was, in short, part of the Transsiberian. The part with which the discussion was concerned was that portion which stretched from the frontier to Vladivostok. The two organisations were now under the authority exercised by the Technical Board.

The Chairman said that one branch of the Ussuri was practically the terminal of the Chinese Eastern.

Sir Auckland Geddes said that the point might be left, without the Sub-Committee trespassing on ground where they had no right to go, by cutting out the word "respectively" in Article 2 and inserting after the words "Ussuri Railway" some such form of expression as the following: "so far as control over the latter is exercised from headquarters of the Chinese Eastern Railway at Harbin with a view to the proper co-ordination of through working especially."

The Chairman asked if control was exercised from Harbin.

M. Kammerer said that it had been since the Inter-Allied Agreement of 1919. He added that he had no objection to the wording suggested by Sir Auckland Geddes.

Mr. Koo said that he was not quite clear as to the meaning of Sir Auckland Geddes' amendment. The introduction of the Ussuri Railway into the discussion constituted nothing new. The whole draft was based on the Inter-Allied Agreement of 1919, under which the Technical Board was set up to insure the efficient operation of the whole system. He understood that this Agreement was still in force. It was, he believed, not only necessary, from a practical point of view, to include the Ussuri, but in the opinion of the Chinese Delegation they could not accept any Agreement which made it seem that the Chinese Eastern Railway was singled out for special treatment. On the other hand, China was a party to the Inter-Allied Agreement of 1919, and was willing to accept any modifications of this which were reached at the present Conference. But any Agreement in regard to the Chinese Eastern Railway was of little use unless the Ussuri was included in it.

Sir Auckland Geddes said he did not think that the inclusion of the words he had suggested would alter the practical situation. At the request of Mr. Koo he then read his amendment again, and added that it would not make any difference in the operation of the resolution, but would make a great difference in its political importance.

Jonkheer Beelaerts van Blokland asked whether there was any certainty that the resolution would be acceptable to the Board of the Ussuri Railway.

Sir Auckland Geddes said that the main reason for his suggested amendment was that the Technical Commission was running the road from Harbin at the present time, but by the use of some such words as he had suggested the political issue would be avoided.

Mr. Koo asked whether he understood correctly that the Inter-Allied Commission was not exercising any efficient control at the present time over the Transsiberian.

Sir Auckland Geddes said that the Technical Commission was. It was only possible to use words which left the *status quo* so far as conditions were concerned.

Mr. Hanihara asked whether it was the intention of the resolution to amend the Inter-Allied Agreement or to create something new.

The Chairman replied that it was the avowed intention of the resolution to amend the Inter-Allied Agreement.

M. Kammerer said that that Agreement had been made by technical experts and it would be difficult to amend it satisfactorily at the present Conference.

Mr. Hanihara asked what explanation he should give his Government, if he agreed to amendments of the original Agreement which had been made between the United States and Japan. He wished to know definitely whether it was intended to amend the Inter-Allied Agreement.

The Chairman said that that was his understanding.

Mr. Hanihara said it was probably an academic point, but he would like to be enlightened as to whether an Agreement could be amended by parties other than the contracting parties.

The Chairman said that the original contracting parties were all represented on the Sub-Committee and he supposed that the assent of the other Powers constituted only an approval on their part; but it was only the action of the original contracting parties that counted.

Baron de Cartier said that he thought the last paragraph of the introduction beginning: "Whereas it appears advisable to amend the terms," &c., covered the point which *Mr. Hanihara* had raised.

Sir Auckland Geddes said that the original Agreement had been between Japan and the United States; to that Agreement certain other Powers had given their adherence. His understanding was that the two original contracting Powers were represented at the Conference by plenipotentiary delegates, and that they and the representatives of the Powers, which had later adhered to the Agreement, had agreed that the present arrangement was out of date because one of the Commissions (the Military Transport Commission) set up by the Agreement had vanished. All these Powers were now considering whether some small changes were not advisable. The proposal before the Sub-Committee included the quite small change that the Technical Board at Harbin should replace the obsolete Transport Commission and should assume the functions left over from it.

The Chairman said that he had understood *Mr. Hanihara* to raise the point whether any but the original plus the adhering parties to the contract could change it. The question might be dealt with by an expression on the part of the Sub-Committee that the suggested amendment was desirable, and then the original contracting Powers could be left to deal with it.

Mr. Hanihara said that the original contracting Powers ought not to be interpreted as meaning only the United States and Japan.

Sir Auckland Geddes said that clearly, if all six of the Powers in question agreed, the Agreement could be amended.

Mr. Hanihara said that he had only raised a question of procedure.

Sir Auckland Geddes remarked that *Mr. Hanihara's* point was not being disputed, but since, as an actual fact, the six Powers who had signed the original Agreement or adhered to it were represented at the Conference, a report could be sent to their respective Governments, if an agreement could be reached.

The Chairman suggested the insertion of the words "with the approval of the other Powers" at the beginning of the resolution.

Sir Auckland Geddes suggested the wording "concurrence of the other Powers."

Mr. Koo suggested "adherence of the other Powers," since "concurrence" might apply only to the original Agreement.

Jonkheer Beelaerts van Blokland stated that he had an objection to the sentence reading: "Whereas it appears advisable to amend the terms of said Agreement," &c., since it appeared inappropriate to him that Powers who were not parties to that Agreement should declare it advisable to change the same.

Sir Auckland Geddes said this was merely a point of form and was not of material importance. He suggested the wording: "The Powers parties to the existing Agreement," and then at the end a paragraph reading: "The other Powers take note," &c.

The Chairman approved of this suggestion.

Mr. Koo said that he was not clear on the amendment to Article 2; he suggested some such wording as: "so far as control over the latter is exercisable from Harbin in accordance with the Agreement of 1919."

Sir Auckland Geddes pointed out that some of the control dated back to before 1919.

The Chairman asked why it was necessary to have anything of the kind. The Technical Board could not advise the management of the Chinese Eastern Railway to do anything which the latter did not have any authority to do.

Mr. Hanihara asked whether the Technical Board provided for in Article 1 was to be a new one or the old one with enlarged authority.

The Chairman said that he supposed it was intended that the present Technical Board should continue, but should acquire the additional authority which had been vested in the Inter-Allied Transport Board of 1919.

Mr. Hanihara said that the original agreement had been reached after much discussion. If it were decided to have the Technical Board acquire the authority of other inter-Allied bodies, he would like to have its name changed. The creation of the Technical Board had not been agreed to independently.

Mr. Koo said that the work of the Board was mainly technical in character, so that the old name should be retained.

Mr. Hanihara said that he would like to draw the attention of the Sub-Committee to paragraph 3 of the original Inter-Allied Agreement of 1919, in which the functions of the Board were set forth as follows:—

"(3.) The Technical Board shall elect a president, to whom shall be entrusted the technical operation of the railways. In matters of such technical operation, the president may issue instructions to the Russian officials mentioned in the preceding clause. He may appoint assistants and inspectors in the service of the Board chosen from among the nationals of the Powers having military forces in Siberia, to be attached to the central office of the Board and define their duties. He may assign, if necessary, the corps of railway experts to the more important stations. In assigning railway experts to any of the stations, interests of the respective Allied Powers in charge of military protection of such stations shall be taken into due consideration. He shall distribute work among the clerical staff of the Board, whom he may appoint in his discretion."

Mr. Hanihara added that, in view of these provisions, it seemed to him that it would be difficult to harmonise the original Inter-Allied Agreement of 1919 with the proposed draft, if the intention was to add new functions to those which the Technical Board were already exercising.

M. Kammerer proposed the suppression of Article 1 of the draft as unnecessary.

The Chairman, at the suggestion of *Mr. Hanihara*, read the Inter-Allied Agreement of 1919, in full, as follows:—

"Plan for the Supervision of the Chinese Eastern and the Transsiberian Railways in the Zone in which the Allied Military Forces are now operating.

"1. The general supervision of the railways in the zone in which the Allied forces are now operating shall be exercised by a special Inter-Allied Committee, which shall consist of representatives from each Allied Power having military forces in Siberia, including Russia, and the chairman of which shall be a Russian.

The following Boards shall be created to be placed under the control of the Inter-Allied Committee:—

"(a.) A Technical Board consisting of railway experts of the nations having military forces in Siberia, for the purpose of administering technical and economic management of all railways in the said zone.

"(b.) An Allied Military Transportation Board for the purpose of co-ordinating military transportation under instructions of the proper military authorities.

- "2. The protection of the railways shall be placed under the Allied military forces. At the head of each railway shall remain a Russian manager or director with the powers conferred by existing Russian law.
- "3. The Technical Board shall elect a president, to whom shall be entrusted the technical operation of the railways. In matters of such technical operation, the president may issue instructions to the Russian officials mentioned in the preceding clause. He may appoint assistants and inspectors in the service of the Board chosen from among the nationals of the Powers having military forces in Siberia, to be attached to the central office of the Board and define their duties. He may assign, if necessary, the corps of railway experts to the more important stations. In assigning railway experts to any of the stations, interests of the respective Allied Powers in charge of military protection of such stations shall be taken into due consideration. He shall distribute work among the clerical staff of the Board, whom he may appoint in his discretion.
- "4. The clerical staff of the Inter-Allied Committee shall be appointed by the Chairman of the Committee, who shall have the right of distributing the work among such employees as well as of dismissing them.
- "5. The present arrangement shall cease to be operative upon withdrawal of the foreign military forces from Siberia, and all the foreign experts appointed under this arrangement shall then be recalled forthwith."

The Chairman asked if there was any prospect of the Sub-Committee reaching an agreement, as the Committee on Pacific and Far Eastern questions were waiting to hold a meeting.

Mr. Hanihara said he regretted that he seemed to be the only one who seemed to be standing in the way of an agreement. He had no desire to protract the discussions, but the matter was a complicated one, and he would like further time to consider it.

The Chairman suggested that Mr. Koo, M. Kammerer and Mr. Hanihara be appointed to act as a Sub-Committee to go over the drafts and attempt to reach an agreement.

This suggestion was agreed to, and the Sub-Committee adjourned until Thursday, the 2nd February, 1922, at 11 A.M.

Enclosure 4.

Third Meeting of the Sub-Committee of Delegates on the Chinese Eastern Railway, held in the Governor's Room of the Pan-American Union Building, Thursday, February 2, 1922, 11 A.M.

(Strictly Confidential.)
(C.E.R. 5.)

Present :

<p><i>United States.</i> Mr. Root. Accompanied by— Mr. Poole.</p>	<p><i>Italy</i> Senator Albertini. Accompanied by— Count Pagliano.</p>
<p><i>Belgium.</i> Baron de Cartier. Accompanied by— M. de Warzee.</p>	<p><i>Japan</i> Mr. Hanihara. Accompanied by— Mr. Aman. Mr. Kanai.</p>
<p><i>British Empire.</i> Sir Auckland Geddes. Accompanied by— Mr. Lampson.</p>	<p><i>The Netherlands.</i> Jonkheer Beelaerts van Blokland. Accompanied by— Jonkheer van Starckenborgh. M. de Kat Angelino.</p>
<p><i>China.</i> Mr. Koo. Accompanied by— Dr. Hawking Yen.</p>	<p><i>Portugal.</i> Captain Vasconcellos.</p>
<p><i>France.</i> M. Kammerer. Accompanied by— M. Raindre.</p>	

The Secretary-General, assisted by Mr. Cresson and Mr. Wilson.

M. Talamon, Interpreter.

The Chairman (Mr. Root) said that the Committee was now ready to consider the report of the Sub-Committee, Messrs. Koo, Kammerer and Hanihara, who had been requested to submit the amendments of the resolutions concerning the Chinese Eastern Railway. Mr. Hanihara then read the following resolution :—

“Whereas the Chinese Eastern Railway and Transsiberian Railways are indispensable factors in the economic development of Siberia as well as of Northern Manchuria, and constitute essential links in a transcontinental railway system of international importance, and whereas their preservation, efficient operation and maintenance as a free avenue of commerce, open to citizens of all countries without favour or discrimination, are a matter of general interest;

“Whereas the absence of a recognised Russian Government since 1917 having made imperative for some time past certain measures providing for the preservation and continued operation of the railways, an arrangement in harmony with the foregoing considerations was concluded in January 1919 between the United States of America and Japan, under the terms of which arrangement China, France, Great Britain and Italy subsequently co-operated, for the temporary operation of the said railways in the interest of the Russian people with a view to their ultimate return to those in interest without impairing any of the existing rights;

“Whereas it appears advisable to amend the terms of the said arrangement in order to meet the changed conditions and to the end that the fundamental purposes of the said arrangement may be served as much as possible under the existing conditions :

“It is agreed between the Powers who are parties to the said arrangement:—

- “1. That the Technical Board shall consist of one representative each of the Powers participating in this arrangement who shall have equal power and authority. The Chairman of the Board shall be elected by the members thereof from among them in such a manner as may be best suited for the discharge of its functions.
- “2. That the Technical Board shall be authorised to advise and assist the management of the Chinese Eastern Railway and of the Ussuri Railway for the purposes set forth in the introductory paragraph of this resolution, especially in the matter of securing necessary funds for the operation of the two railways on fair and equitable terms (and to exercise general financial supervision over the managements of said railways).
“In so far as the technical operation of the said railways is concerned, the Board will not interfere with such operation, which is to be left in the hands of the Chinese Eastern Railway Company and of the Ussuri Railway, except so far as may be necessary to meet the conditions set in the first sentence of this paragraph.
- “3. That the provisions relating to the functions of the Technical Board in the arrangement of 1919 above referred to are to be replaced by the foregoing provisions.
- “4. As regards the protection of the railway properties and the maintenance of public order within the railway zones, adequate measures shall be provided by the managements of the respective railways, with advice and assistance of the Technical Board.
- “5. That the Chinese Government will assure the safety of the railway and of the persons in its service against attack, and for the more effective execution of this purpose will provide an adequate modern, trained, and equipped police force or gendarmerie, it being understood that the said force shall be paid by the said railways in such manner as the Board of Management, with the advice of the Technical Board, may decide.”

Mr. Hanihara said that he would also suggest certain changes to the draft he had just read. First, that paragraph number 4 be suppressed, and the corresponding paragraph of the Chinese draft be substituted, *i.e.*, that the sentence beginning “The Chinese Government will continue to secure the safety,” &c., numbered 3 in the previous draft become number 4 of the new resolution. He said that it was his understanding that *Mr. Koo* preferred to eliminate the lines beginning “In the interests of the Russian people.”

Mr. Koo said that he wished first to call attention to the fact that in the Agreement of 1896 the Chinese Government was entitled to a half rate for the transport of troops and mail, and he did not in any way intend to modify the terms of this Agreement. Secondly, with respect to the reference just made to his attitude regarding the paragraph concerning “the Russian people,” the fact that the Chinese Delegation were so earnestly trying to reach an agreement he believed showed their intention to safeguard these interests. He had suggested that this paragraph be omitted merely because it appeared redundant in view of the statement immediately following.

Sir Auckland Geddes said that by referring to the Agreement mentioned, he found that the phrases concerning “the Russian people” formed part of the original arrangement.

Mr. Koo said that it was his understanding that this did not appear in the arrangement of 1919.

Mr. Hanihara said that it was his understanding that *Mr. Koo* was also ready to suppress part of paragraph number 2: “to exercise a general financial control over the financial management of the railroad.”

Mr. Koo said that the latter phrase was the same as that originally reported to the Sub-Committee, which seemed to limit the powers of the company, a private corporation as at present organised. He felt that the Committee should not attempt to impose such a supervision. The purpose of the arrangement which

he supported was to provide for the effective raising of funds, and also to insure that there would be sufficient safeguards in this respect. In the original draft which he had prepared with M. Kammerer, the Technical Board was not only to advise and assist the railroad, but also to supervise loans, &c. With these methods the interest of the bondholders would be safeguarded. He would further suggest the power to supervise the expenditure of loans.

The Chairman suggested that the lenders would have something to say about that.

M. Kammerer said that that had already been explained to their Chinese colleague.

The Chairman said it was evident that two things were clearly proposed:—

- (a.) To provide a better protection for the railroad by the Technical Sub-Committee.
- (b.) To provide necessary funds.

China apparently found herself unable to agree to the provisions proposed, but if none of these things were done, he asked, why then make a further Agreement? He said he felt that the Allied Powers had assumed certain responsibilities. They had agreed to do something in the interests of the Russian people. He did not see how they could discharge this obligation through a mere form of words. A very competent Sub-Committee had reported that two things were necessary—protection and funds. If both these points were objected to, he could not see that the Agreement had any other reason than to oust Mr. Stephens, who would be quite unwilling, he was sure, to go on without adequate authority, to avoid friction.

Mr. Stephens, he said, was a man of the highest standing and competence. He had met him in Petrograd five years before, when the Russian Government had sought his assistance, together with that of a corps of railroad men expert in the operation of the long lines of American railroads. Mr. Stephens had devoted the five best years of his life to this work at the request of the American Government.

The Chairman said he could not see him cast off like an old shoe.

Mr. Hanihara said that the position of the Japanese Delegation was that they had no objection to accepting the report made by the Sub-Committee, but several new propositions were now being introduced.

Mr. Koo said that he desired to associate himself with the Chairman's remark respecting Mr. Stephens, and he could not accept the first paragraph of the Sub-Committee's report.

The Chairman said that a satisfactory proposal insuring efficiency and economy of the road would surely be acceptable to Mr. Stephens. He was glad to know that Mr. Poole shared his feelings in this respect. Knowing Mr. Stephens, however, he was sure that he would not accept the new proposals.

Jonkheer Beelaerts van Blokland asked whether he was right in assuming that this was a draft of an Agreement between the six Powers only.

M. Kammerer said he had brought this point to the attention of Mr. Hanihara, but only views had been expressed that morning and no decisions reached.

Jonkheer Beelaerts van Blokland stated that the words "it is agreed between the Powers who are parties to the said Agreement," did not seem in accord with *M. Kammerer's* opinion.

Mr. Hanihara said it had been his intention to add a provision defining the Powers who were to take part.

The Chairman said that it was, perhaps, better, in view of all the opinions expressed, to take the report of the Technical Sub-Committee as a basis for the discussion.

Mr. Koo said that he believed that his report, drawn up with the aid of *M. Kammerer*, was a sincere effort to reconcile divergent views.

Mr. Hanihara said he had several objections to make to the draft submitted by his Chinese colleague. He supported the Chairman's proposal to adopt the report of the Technical Sub-Committee.

The Chairman said it seemed quite clear to him that if China's objections were considered, it would result in leaving out all that was useful in the proposal and leaving only words that amounted to nothing. This would be tantamount to a simple rejection of the report. It would be preferable to report to the Main Committee that they were at disagreement. They might add that the matter should be submitted to diplomatic treatment.

M. Kammerer said that it would be highly regrettable if no agreement were reached. There seemed to be some general accord of ideas, for instance, regarding the trusteeship. Another point of agreement was that the situation was unsatisfactory. These were matters that could be accepted by all with the possible exception of China. The important thing was to have good order assured.

Mr. Koo said he did not know whether he quite understood the meaning of *M. Kammerer's* remarks. If he based himself upon the precedent of the recommendations made to China regarding her military forces, he wished to point out a difference. In that case the Chinese Delegation had not objected because public opinion in China was fully in accord with the object aimed at, but concerning the Chinese Eastern Railway public opinion was entirely opposed to international control or supervision. As to the question of the draft resolution he had had the honour to present with *M. Kammerer*, it was an earnest attempt to do two things—to protect the Chinese railroad from reckless expenditure; second, to devise a safeguard for its protection.

The Chairman said he thought in view of the differences it would be well to return to the report of the Technical Sub-Committee, and to allow China to make her reservations.

Mr. Koo said that he did not think this method the appropriate one. He suggested that, in the light of *Mr. Hamihara's* remarks, there was some doubt whether the Committee could come to an agreement on that basis.

Sir Auckland Geddes, referring to the report of the Technical Sub-Committee, said that unless the railway were efficiently protected and assurance obtained that the funds of the railway would be properly administered, that is to say, unless the clauses concerning these matters were retained, nothing of value would be left in the report.

Mr. Root suggested that the following resolution be adopted:—

“Resolved:

“That the preservation of the Chinese Eastern Railway for those in interest requires that better protection be given to the railway and the persons engaged in its operation and use, a more careful selection of personnel to secure efficiency of service, and a more economical use of funds to prevent waste of the property.

“That the subject should immediately be dealt with through the proper diplomatic channels.”

Sir Auckland Geddes proposed that for the words “beneficial owners,” the term “those in interest” be substituted.

The Chairman said this was satisfactory.

Baron de Cartier asked whether it was practical to touch upon these matters in the present Conference.

M. Kammerer said he had some doubts as to whether it was necessary to refer the matter to diplomatic negotiation rather than to report concerning matters agreed upon.

The Chairman said that he wished to avoid simply restating the terms of the Sub-Committee's report and saying that China had blocked the way. This was putting China in a false position.

Sir Auckland Geddes suggested that the words “shall immediately be dealt with through diplomatic channels” be added. This would suggest immediate action.

The Chairman asked whether the Committee was ready to vote.

[7999]

Mr. Koo said that he would first like to ask whether, in order to avoid reflecting on China's actions, the term "the utmost possible protection" might not be used.

The Chairman said he could not agree to this amendment, but that China might go upon record that her intention was to afford all possible protection.

The resolution was adopted unanimously.

The Chairman, continuing, said that, in view of the trust disclosed by the International Allied Agreement of 1919, he would feel that the rights involved would be more safely secured, at all events with the United States, by adding a reservation which he would now read:—

"The Powers other than China, in agreeing to the resolution regarding the Chinese Eastern Railway, reserve the right to insist hereafter upon the responsibility of China for performance or non-performance of the obligations towards the foreign stockholders, bondholders and creditors of the Chinese Eastern Railway Company which the Powers deem to result from the contracts under which the railroad was built, and the action of China thereunder, and the obligations which they deem to be in the nature of a trust resulting from the exercise of power by the Chinese Government over the possession and administration of the railroad."

He said that he thought that the above could only be considered a logical consequence of China's unwillingness to agree to support the Sub-Committee's report.

Sir Auckland Geddes said that his Delegation was willing to support the reservation.

Mr. Hanihara asked whether it was proposed to add the above to the previous resolution.

The Chairman said this was not his intention.

The second resolution referred to was accepted by all, China not voting.

Mr. Koo said that he would like to make a few remarks in order to make clear the attitude of the Chinese Government towards Russian interests. When the Agreement of the 2nd October, 1920, had been entered into the consent of the Russian stockholders had been assured through the evidence of certificates obtained by the French Legation in Peking concerning stock held by the Russo-Chinese Bank. As regards the trust which China had assumed that was the only Russian interests admitted by the Chinese Government. The Chinese Government was doing its best to maintain order. If these efforts had not met the expectation of the Powers it was due to political disturbances having their origin in Russia. He had been informed that the Chinese Eastern Railway was more efficiently operated than any other part of the Transsiberian system. The troubles along the line arose because of the constant struggles between Russian Reds and Whites. In this connection he need only refer to the extraordinary action of General Horvath in investing himself with the powers of a dictator. He said he must make it clear that in view of the circumstances China could not admit her failure to discharge her duties.

M. Kammerer said that he was aware of the fact that the problems of the railroad were complicated by the action of the former Russian authorities who had claimed administrative rights along the line. There were, however, 200,000 Russians in the zone of the railroad, and the measures which the Chinese authorities had taken were wholly inadequate with respect to these latter. He had been informed that the situation was very grave. The Chinese had attempted to establish a régime based on a Chinese interpretation of the Russian code. He considered it a grave imprudence on the part of China to attempt such a form of administration. It was impossible to properly register births, deaths or marriages. He did not wish to reflect upon the Chinese authorities, but he hoped that they would consider the situation which they had created for these Russians.

Mr. Koo said that the question regarding the Chinese zone was an entirely different one from that which they had been considering. He was sure that *M. Kammerer* did not wish to inject foreign matter into the discussion even out

of sympathy for the Russian people. He must repeat that the situation was a result of the revolution in Russia, and China was inspired by the best intentions. Moreover, the Chinese Government was taking steps to introduce reforms. He had merely referred to these matters for the information of the Committee.

The Chairman said he would report to the General Committee concerning the conclusions reached, and would also submit the report of the Technical Subcommittee with Dr. Yen's comments and reservations.

The Committee then adjourned *sine die*.

Enclosure 5.

Thirtieth Meeting of the Committee on Pacific and Far Eastern Questions, held in the Columbus Room, Pan-American Union Building, Thursday, February 2, 1922, at 4 P.M.

(Strictly Confidential.)
(F.E.C. 31.)

Present:

United States.

Mr. Hughes.
Senator Lodge.
Mr. Root.
Senator Underwood.
Accompanied by—
Mr. Wright.
Mr. McMurray.
Mr. Poole.
Mr. Nielsen.

Belgium.

Baron de Cartier.
Accompanied by—
M. de Warzee.

British Empire.

Mr. Balfour.
Lord Lee.
Sir Auckland Geddes.
Sir Robert Borden.
For Australia—
Senator Pearce.
For India—
Mr. Sastri.
Accompanied by—
Mr. Christie.
Sir H. L. Smith.
Mr. Lampson.
Mr. Bajpai.

China.

Mr. Sze.
Mr. Koo.
Mr. Wang.
Accompanied by—
Dr. Hawking Yen.
Mr. M. T. Z. Tyau.
Mr. C. Zee.
Mr. Tu.
Dr. Koung-Ou Houx.

France

M. Jusserand.
M. Sarraut.
Accompanied by—
M. Kammerer.
M. Ponsot.
M. Raindre.

Italy.

Senator Schanzer.
Senator Albertini.
Accompanied by—
Marquis Visconti Venosta.
Count Pagliano.

Japan.

Baron Kato.
Baron Shidehara
Mr. Hanihara.
Accompanied by—
Mr. Saburi.
Mr. Kimura.
Mr. Sakau.
Mr. Tomita.

The Netherlands.

Jonkheer Beelaerts van Blokland.
Jonkheer de Beaufort.
Accompanied by—
Jonkheer van Starckenborgh.

Portugal.

Viscount d'Alte.
Captain Vasconcellos.

The Secretary-General, accompanied by Mr. Pierrepont and Mr. Osborne,
M. Camerlynck and M. Talamon, Interpreters.

The Chairman (Mr. Hughes) said that before proceeding with the regular order, he would state that a meeting had been held of the Sub-Committee appointed to consider the proposed Treaties relating to China, and a form of Treaty had been tentatively approved, with the purpose of having it put into print and distributed. He then asked for a report from the Committee on the Chinese Eastern Railway.

Mr. Root said that the Full Committee had referred to the Special Committee of Delegates on the Chinese Eastern Railway a report of the Technical Sub-Committee which had been wrestling with the subject of that railway for some time. This Special Committee now reported back that report of the Technical Sub-Committee, together with the observations and reservations made in behalf of the Chinese Delegation by Dr. Hawking Yen. He would not read the Technical Sub-Committee's report as it had been discussed previously and appeared in full in the minutes of the Twenty-fourth Meeting of the Full Committee on the 23rd January.

The Technical Sub-Committee report, after giving the recent history of the road, had stated the conclusion that funds would be obtainable only if suitable conditions were established for the economical operation of the railway, and the funds were to be expended under adequate supervision. It had recommended replacing the present so-called Inter-Allied Committee by a Finance Committee "which shall exercise general financial control over the operation of the railroad." It had recommended also that there should be a new force of police or gendarmerie to be under the control of the Finance Committee.

Dr. Yen had stated in substance that he could not give his assent to the infringement upon the sovereignty of China which would be involved in putting the finance and protection of the road under the control of an Inter-Allied Finance Committee.

The Sub-Committee of Delegates, for which Mr. Root was reporting, had had before it both the report of the Technical Committee and many drafts of resolutions aimed at avoiding the *impasse* caused by the objection interposed by Dr. Yen to the conclusions of the Technical Committee.

None of those drafts had seemed to the generality of the Committee of Delegates to make any improvement of the situation. They all had been in the form of amendments of the Inter-Allied Agreement of 1919, which had been regarded by common consent and general statement as being still in force and effect.

The Committee of Delegates now wished to report unanimously the following resolution:—

"Resolved:

"That the preservation of the Chinese Eastern Railway for those in interest requires that better protection be given to the railway and the persons engaged in its operation and use, a more careful selection of personnel to secure efficiency of service, and a more economical use of funds to prevent waste of the property.

"That the subject should immediately be dealt with through the proper diplomatic channels."

At the same time all Powers other than China, that is to say, the United States, Belgium, Great Britain, France, Italy, Japan, the Netherlands, and Portugal had united in the following reservation:—

"The Powers other than China, in agreeing to the resolution regarding the Chinese Eastern Railway, reserve the right to insist hereafter upon the responsibility of China for performance or non-performance of the obligations towards the foreign stockholders, bondholders and creditors of the Chinese Eastern Railway Company which the Powers deem to result from the contracts under which the railroad was built and the action of China thereunder and the obligations which they deem to be in the nature of a trust resulting from the exercise of power by the Chinese Government over the possession and administration of the railroad."

The Chairman then said the question was on the first resolution, in which he understood China participated. He said he would put that to a vote separately, as the other resolution related to Powers other than China.

Mr. Koo addressed the Committee. He stated that he rose to say a few words for the purpose of elucidating the views of the Chinese Delegation on this important question. As the Chinese Delegation viewed it, this Chinese Eastern Railway question, so far as the other Powers were concerned, had arisen out of the Inter-Allied Agreement of 1919 to which China was a party and to which five other Powers around the table were also parties.

There were several considerations guiding the Chinese Delegation in dealing with this question. In the first place, as the Inter-Allied Agreement provided for supervision over the operation of the whole Transsiberian system, including the Chinese Eastern Railway, the Delegation felt that perhaps it might give rise to misgivings in China if this one particular railway should be singled out for separate treatment. In the second place, the chief value of the Chinese Eastern Railway lay in the fact that it constituted a link in the communication between Europe on the one side and the Pacific Ocean on the other, and therefore any arrangement concerning the Chinese Eastern Railway would be of limited value if that arrangement did not include the Transsiberian Railway which connected with Europe and the Ussuri Railway which assured its success to the sea.

In the third place, he said this railroad ran through Chinese territory in its entirety and the sovereign rights of China must be safeguarded.

He would not enter into the origin and the nature of the railway company, he said, or into the relations between the railway company on the one side and the Chinese Government on the other. These points were clearly set forth in the various agreements which China made with Russia and also with the Russo-Asiatic Bank, which controlled and owned all the stock in the railway company.

On the basis of those three considerations, namely, that the Chinese Eastern Railway could not be singled out for separate treatment under the Inter-Allied Agreement of 1919; that any arrangement would be of little value so far as the Eastern Railway was concerned, unless the same arrangement applied to the Ussuri Railway, which assured exit to the sea; and that no arrangement should be made which would be inconsistent with the right of China as a territorial sovereign whose vital interests were involved. On the basis of those three considerations, the representative of the Chinese Delegation, first on the Expert Committee and later *Mr. Koo* himself on the Sub-Committee, tried to collaborate with the other members of the Committees with a view to finding a practical working arrangement, and at one stage of their labours *Mr. Koo* said he was encouraged to think that they had almost reached an agreement he and *M. Kammerer*, appointed by the Chairman of the Sub-Committee to work out a working basis, had succeeded in producing, a draft which had subsequently been laid before the Sub-Committee; but it was found that certain modifications, in the opinion of other Delegations, were necessary, which modifications, in the view of the Chinese Delegation, could not be reconciled with those considerations which *Mr. Koo* had stated, and, in view of those complicated difficulties, the Sub-Committee had arrived at the conclusion which had been laid before this Committee by Senator Root.

Mr. Koo further stated that in the second resolution the Powers, other than China, proposed to make a reservation of their right to insist hereafter on the responsibility of China for the performance or non-performance of the obligations, &c., and that in doing so the Powers were of course perfectly within their rights, and it was not for him to make any comment. He wished merely to make a few observations on the views of China concerning her relations with the railway. In the first place, as regards the legal position of the railway, that was of course expressly defined in the agreements between China and Russia and between China and the railway, and the Russo-Asiatic Bank, and later with the railway company, and whatever changes had taken place in the internal organisation of the railway had been effected by due process, reference having sometimes been made to the most recent contract (the 2nd October, 1920) entered into between the Chinese Government and the Russo-Asiatic Bank. *Mr. Koo* said that he knew it was not the desire of the Committee, nor was it his own desire, to discuss the question of the contract, but that he merely referred to that as a matter of information, pointing out that the said contract with the bank was entered into by the Chinese Government after it had satisfied itself that the bank represented all the stockholders and all of the shares, which fact had been certified through the French Government.

As regards the extent of the trust which China had assumed, that trust could only apply to the functions which formerly were exercised by the Russian Government under the agreements with China, and which were now exercised by China as a provisional measure because of the absence of a recognised Russian Government for the time being. To that extent of course China assumed, so to speak, the responsibility of the Russian Government in its relation with the railroad company.

Speaking of the practical situation, Mr. Koo said that of course there was room for improvement undoubtedly on the Chinese Eastern Railway, as there was room for improvement, he supposed, on every railway in the world; but he thought that the difficulties that beset the Chinese Government had been very great; the political revolution in Russia, with its consequent disorganisation, having injected problems which were not expected at all in this railway area, Russian workmen having time and again gone on strike and the Red and White forces having struggled for control of the line. He thought it unnecessary to go into details further than to recall to the minds of his colleagues on the Committee the extraordinary steps taken in 1920 by General Horvath as director-general of this railway, to declare himself supreme dictator in this railway area, investing himself, according to his proclamation, with governmental powers.

Mr. Koo further stated that in every instance so far, if the testimony of the foreign press could be trusted, the Chinese authorities had handled the critical situation to the best of their ability, and so far had relieved the communities in the railway area of anxiety and of apprehension. The Chinese Government, in accordance with the terms of the original contract with the Russian Government, had been providing protection for the railway and for the persons in its service to the very best of its ability, and if it had been found, in the opinion of some of the Powers, that that protection had not been adequate, the inadequacy really had been due more to the difficulties which were consequent upon the political disorganisation in Russia than to any lack of determination on the part of China fully to discharge her obligation. In fact, thanks to the protection thus given, the Chinese Eastern Railway was still in operation, while some of the other railways in the Transsiberian system were in very unsatisfactory condition. Therefore he desired to express the hope that the Committee, in considering this second resolution, would be good enough to bear in mind the observations which he had been permitted to make at this time.

The Chairman then said the question was on the adoption of the first resolution. A vote was taken and all of the Powers, including China, assented. *The Chairman* announced that the resolution was unanimously adopted.

The Chairman then called for a vote by the Powers other than China on the reservation. All of the Powers other than China assented, and the Chairman declared it unanimously adopted.

* * * * *

(NOTE.—The discussion following this was on the "Twenty-one Demands," and is not reproduced.)

Printed for the Cabinet. March 1922.

SECRET.

W.D.C.-223.

67

CABINET.

WASHINGTON CONFERENCE ON LIMITATION OF ARMAMENT.

*Copy of Despatch (No. 24) from Mr. Balfour to the Prime Minister, dated
February 4, 1922.*

(Previous Papers Nos. W.D.C.-13, 14, 24, 47, 62, 63, 71, 95, 96, 116, 117, 123, 157,
158, 159, 183, 184, 201, 202, 206, 203, 215 and 222.)

Sir,

Washington, February 4, 1922.

YOU will have gathered from the various telegrams that I have sent during the last three months on the subject of Wei-Hai-Wei that the problem of its retention or abandonment by Great Britain is one that has greatly occupied my thoughts. Now that in the exercise of the discretion left me by His Majesty's Government I have publicly stated that Great Britain is in favour of abandonment, it may be desirable that I should state concisely some of the main reasons which have led me to adopt this course.

In the history of Wei-Hai-Wei since it was leased to Great Britain under the Convention of 1898, there is certainly nothing which suggests that, either for political or military reasons, British occupation should be continued. That history falls naturally into three periods, marked off from each other by the varying objects which from time to time were held to justify the occupation. The first may be called the Russian period, and its object, as described in the lease, was to provide "for the better protection of British commerce in the neighbouring seas for so long a period as Port Arthur should remain in the possession of Russia." Port Arthur is no longer in the possession of Russia, British commerce in the neighbouring seas needs no special protection, and were it otherwise we might well doubt whether Wei-Hai-Wei is the best base from which to protect it. However this may be, it is at least clear that the Russian period came to an end with the Treaty of Portsmouth in 1905, when Port Arthur was formally ceded by Russia to Japan.

The second period may be called the German period. Though Russia had left Port Arthur, Germany was still at Kiaochow; and while this state of things continued Japan was most anxious that Great Britain should remain at Wei-Hai-Wei. The wish was acceded to, and under the arrangement of 1906 remain she did.

The third period may be called the Japanese period. It dates from the expulsion of the Germans in 1914 from the Shantung peninsula by Japanese forces, aided by a small British contingent, and it ended on the 3rd February, when China and Japan publicly agreed to the treaty, which was formally signed on the following day at Washington in the presence of Mr. Hughes and myself.

It was at the open session of the 3rd that I announced that (with due reserves as to details) His Majesty's Government proposed to surrender their special rights in Wei-Hai-Wei. The statement was received with the warm and universal approval of the whole assembly to which it was made. This was natural enough. Its members gave up nothing, and could applaud without misgiving this dramatic example of the spirit of goodwill and mutual accommodation then happily in the ascendant. It remains, however, to be considered whether this instinctive judgment ought, or ought not, to be endorsed by critics who are in a position to look with an impartial eye and full knowledge at all sides of the question.

It must of course be admitted that no nation should abandon, without anxious consideration, its position in any territory which it lawfully controls, but no considerations which I am able to give to this particular case reveal any important British

interest, material or moral, which would suffer by the surrender to China of what remains of our lease. As things are at present this seems obvious. It is universally admitted that from a commercial point of view Wei-Hai-Wei is insignificant, that from a strategic point of view it is worthless, and that, as far as we are concerned, it serves no useful purpose but that of a summer resort, where ships on the China station and visitors from Chefoo can enjoy the advantages of a cool climate, security under British rule and freedom from Chinese taxation. It may no doubt be urged that the future may show Wei-Hai-Wei in a light of which the present gives small promise. But is this likely? It was originally leased for military and naval reasons; but it has never been used for military or naval purposes in the past, and it is safe to say that it never will be so used in the future. In the first place, the potential enemies against whom it was to serve as a protection have vanished from the scene. Russia threatened the equilibrium of the East from Port Arthur, but Russia has gone. Germany threatened it from Kiaochow, but Germany has gone: and seeing that even while they occupied these formidable positions we never fortified Wei-Hai-Wei, are we likely to begin now? Of the three offices primarily concerned—the War Office, the Admiralty and the Treasury—which would regard with most dismay any serious proposal for turning Wei-Hai-Wei into a naval base? The first two would deem this policy a source of strategic weakness, the last would deem it a financial crime; none of them would for a moment suppose that it added anything to the defensive power of the Empire. Moreover, it has to be noted that the creation of a new naval base in these seas would certainly be contrary to the spirit, and probably to the letter, of the Naval Treaty of Washington. It could never be justified at the bar of international opinion.

If there is thus nothing to be said for the retention of Wei-Hai-Wei on strategic grounds, can we find political or economic grounds of greater force? To those who desire illumination on this point I commend a recent report on the leased territory by Sir E. Stubbs, the Governor of Hong Kong. The last paragraph reads as follows:—

“The prime needs of Wei-Hai-Wei (he observes) are two: certainty of tenure and a reasonable income. Given these two essentials, the territory, though it will never be a possession of any value except as a health resort for the navy and for British residents in China, can be made a credit to British rule. At present it is not.”

Of the two “prime needs” mentioned in this somewhat discouraging pronouncement it is hard to say which is the least likely to be satisfied. As far as the “reasonable income” is concerned, we may, I suppose, judge the future by the past. We have now administered Wei-Hai-Wei for nearly a quarter of a century, and throughout that period we have always been obliged to give it money, but have never been able to give it money enough. As Sir E. Stubbs observes, it “has been treated as a financial encumbrance on which as little money as possible should be spent.” Consider, for example, the case of education. This has been, and is, in the opinion of Sir E. Stubbs, a “discredit to Great Britain.” And if this has been true in the days of our financial prosperity, how will it be in these days of financial difficulty? Are we going to be more free with our money in 1922 than we were, say, in 1912? Are we going to lower still further our reduced expenditure on the education of children in Great Britain in order to provide a larger subvention for the education of children in Wei-Hai-Wei? It seems to me improbable: and, if I am right, then Wei-Hai-Wei will remain in the future what, according to Sir E. Stubbs, it has been in the past—a discredit to our country.

But Sir E. Stubbs holds that some mitigation of this and similar evils might be expected if only we could supply the *second* “prime need” of Wei-Hai-Wei—namely, “security of tenure.” Now this can never be supplied. Doubtless Britain, had she wished it, could have retained Wei-Hai-Wei to the end of the lease; but what Englishman would confidently count on her doing so? It is a possession of little value, held by a transient and unsatisfactory title. The grounds on which a lease of it was first demanded have vanished; the grounds on which a renewal of that lease was negotiated have also vanished; if retained it would stand out before all the world as the solitary relic in Shantung of the unhappy era of Russo-Germanic aggression, against which, by a singular irony, its original acquisition was designed as a protest and a safeguard. Such a situation might endure for a time; but does any man think it could be lasting?

But if there are no reasons—strategic, administrative or economic—for keeping Wei-Hai-Wei, there are the strongest reasons of high policy for giving it up. The Conference of Washington was no ignoble wrangle for petty gains, where every

concession made by a Great Power for a great object had to be paid for by an equivalent fragment of somebody else's rights. It was a sincere attempt to put international affairs, especially in the Pacific Ocean and the Far East, upon a footing at once more friendly and more stable. For historic reasons, into which it is needless to enter, there was no more formidable obstacle to the realisation of this ideal than the position Japan had acquired from Germany in the Shantung peninsula—first by hard fighting, then by treaty. Thus the restoration of that ancient province to China on equitable terms became a primary object of desire among the statesmen of all the countries interested in the peace of the Pacific—and not least among the statesmen of Japan and China—who were alone in a position to carry it into effect. The negotiations between them were long and arduous; they were at last successful, and the representatives of America and Great Britain may cherish the belief that by their constant sympathy and assistance they contributed something material to this happy result. But how could the British representative effectively urge the abandonment by Japan of a special position in Shantung while he knew that a special position in that province was to be retained by Great Britain? It may be easy to draw distinctions between the two cases; let me add that it would be entirely useless. If Great Britain had retained Wei-Hai-Wei after Japan, with the warm approval of Great Britain, had given up Kiaochow, the moral position of this country would certainly have suffered in the estimation of the world, and in my opinion it would have suffered justly. For such a calamity the lease of a hundred Wei-Hai-Wei's would have furnished a very insufficient compensation.

I am, &c.

ARTHUR JAMES BALFOUR.

Printed for the Cabinet. March 1922.

SECRET.

W.D.C.-224.

65

CABINET.

WASHINGTON CONFERENCE ON LIMITATION OF ARMAMENT.

*Copy of Despatch (No 25) from Mr Balfour to the Prime Minister, dated
February 4, 1922*

(Previous Papers Nos. 13, 14, 24, 47, 62, 63, 71, 95, 96, 116, 117, 123, 157, 158,
159, 183, 184, 201, 202, 206, 208, 215, 222 and 223)

Sir, *Washington, February 4, 1922.*

IN my recent despatch No. 19 of the 25th January* I expressed a certain anxiety concerning the outcome of the Shantung negotiations and the influence which the results of these negotiations must have on the work of the conference as a whole. It is, therefore, with the greatest gratification that I can now report that an agreement was reached between the Chinese and Japanese delegates on the 31st January, and that on the 1st February Mr. Hughes was able to announce the terms of the settlement at the Plenary Session.†

2. This settlement, if its terms are faithfully carried out by both parties—and there is no reason to apprehend the contrary—should relegate to the limbo of dead controversies a question which for some years has embittered the relations between the two great peoples of the Far East, and has even indirectly been a source of irritation between the United States and Great Britain. Although Shantung has been discussed outside the conference, it is to the influence of the conference that the settlement is due, and the disposal of this urgent and dangerous problem may be credited to the conference as one of its principal achievements.

3. The Shantung question had its origin in the aggressions on Chinese sovereignty for which the imperialistic policies of Russia and Germany were chiefly responsible. It was at this stage and in connection with these events that Great Britain acquired the lease of Wei-hai Wei, which has therefore from the beginning been a part of the Shantung question. In its more recent phase, it is an aftermath of the European war. When, in October 1914, Japanese troops occupied not only the leased territory of Kiaochow, but the Shantung Railway also as far inland as Tsinanfu, the capital of the province, their coming was regarded with dismay by the Chinese people, who already in Manchuria had experienced the thoroughness of the Japanese system of penetration. Subsequent events tended to increase their alarm. The so-called twenty-one demands of 1915, and the treaties then forced upon China under threat of war, dealt in the first instance with Shantung; and Japanese policy at that time appeared to aim at the establishment of Japanese interests in Tsingtao as permanently and as strongly as if they were already entrenched at Dairen. In 1918, just before the armistice, and at the time when the Peking Government was notoriously relying for its existence on Japanese funds, a further series of agreements were signed between China and Japan, which left Japan in virtual control of the Shantung Railway and of certain proposed extensions to that railway of great strategic and economic importance.

4. Then came the Peace Conference. The Chinese once more began to hope that the friendship of America and the sense of Great Britain might save them from their plight. The fate of the Shantung question at Paris is well known. The

* See W.D.C.-202.

† See W.D.C.-207.

Chinese discovered that all the Great Powers except the United States were bound by understandings given in 1917 to support the Japanese claims to everything in Shantung which Japan had conquered from the Germans. Concerning the Shantung settlement reached in Paris, President Wilson said: "I thought it was the best that could be got under the circumstances." The German rights in Shantung were transferred bodily to Japan on the understanding that she would retain the economic rights, while returning the political rights to China. This distinction at once brought out the importance of the question of the Shantung Railway, which although technically an economic property only, yet in fact constitutes a dominant political factor in the Province of Shantung.

5 The decision of the Peace Conference reduced China to a mood of angry despair. In Paris, the Chinese delegation decided not to appear at the signing of the Treaty of Versailles. In Peking, infuriated mobs of students demanded justice on the "traitor" politicians who had sold their country to Japan; three leading pro-Japanese statesmen were thus forced to resign. This outburst was followed by a boycott of serious proportions on all Japanese goods and public services, not only throughout China, but as far south as Manila and the Dutch East Indies. In Singapore, there was not only the boycott but serious anti-Japanese riots. The boycott continued for almost a year, and although its economic effectiveness has perhaps been exaggerated, its political consequences are of the highest importance. For the first time, the Chinese people have been awakened to a sense of their nationality and of their country's rights. Although the first reaction of the Shantung settlement was anti-Japanese, the friendly relations of all foreign countries with China and the prestige of the white nations suffered in corresponding degree, as we learned when the Chinese Government abruptly terminated our negotiations concerning Tibet.

6 In the face of the popular agitation thus caused, it is hardly surprising that the Chinese Government have shown the utmost reluctance to resuming any negotiations with Japan on this delicate subject. The attitude of the Chinese people has been that the presence of the Japanese Administration and troops in Shantung were unjustified, and that they must be withdrawn unconditionally. This attitude was, of course, contrary to practical politics and to common sense, but the popular feeling was so strong that the Chinese politicians did not dare, until recently, to take a single step in the direction of compromise. In January 1920, and again in September 1921, Japan made offers to negotiate the return of Kiaochow. The first offer was barely acknowledged; the second offer was refused in terms which amounted to discourtesy.

7. Nor were China and Japan the only countries affected by the Shantung question. In the United States of America, the settlement reached at Paris was utilised as one of the planks for the campaign against President Wilson on his return from France. The vague humanitarian feelings of sympathy for China crystallised around this question of Shantung, which became responsible for much of the hostile sentiment felt in America against Japan, and, in a secondary fashion, against Great Britain, as the ally of Japan. Senator Lodge himself assured me that the matter of Shantung had been one of the stumbling-blocks which prevented the United States people from accepting the Covenant of the League of Nations. The American people, so he said, considered that under article 10 of the Covenant, the United States would be committed to the preservation of Shantung clauses of the Treaty of Versailles which were regarded as indefensible. There would, therefore, be little hope of a Tripartite Agreement between the United States, Great Britain and Japan being tolerated in America, unless the Shantung question were settled. Thus had Shantung become a serious obstacle in the way of Anglo-American friendship.

8. I have enlarged upon the past history of this controversy, in order to show the important rôle which it was bound to play in our deliberations at Washington, and the serious difficulties which stood in the way of settlement.

9. Fortunately, during the three years which have followed the Paris Conference the Government and people have learned that a policy of military of doubtful advantage, and that it is a mistake to antagonise their and one of their best customers. The Japanese delegation came inspired by a genuine desire to reach any settlement of the Shantung was consonant with their ideas of national prestige. It was clear they would not brook any public interference on the part of foreign matter which the national pride of their people insisted should be

discussed directly and solely between China and Japan. The Chinese on the other hand were anxious to bring the question before the conference as before a court of law, and to place the Japanese in the position of defendants. Great pressure was exerted on the Chinese delegates both in China and in Chinese circles here, to prevent any commencement of direct negotiations with Japan. That, in spite of this, they decided to take a conciliatory course is a matter of credit both to their political wisdom and to their personal courage.

10. Already before the conference met, the Japanese Government had made it clear that although they disliked the idea of asking for anything like mediation, they would be very glad if Great Britain or the United States would *proprio motu* advise the Chinese to negotiate (see Sir C. Eliot's telegram No. 389 of the 11th October, 1921).* It was not, however, until the 18th November that any definite mention of the Shantung question was made in connection with the conference. On that date, as reported to you in my despatch No. 4 of the 24th November,† Mr. Saburi of the Japanese delegation mentioned in a private conversation to Sir Maurice Hankey that his delegation had every hope of settling the Shantung dispute, and were prepared to go far in the matter of concessions. Sir Maurice then proposed that the friendly Powers might be used as "advisers" to help in the settlement of the dispute, a suggestion which appealed to Mr. Saburi.

11. Accordingly, on the 25th November, as reported in my despatch No. 5 of the 29th November,‡ Mr. Hughes and I together saw first the principal Chinese and then the principal Japanese delegate. As a result, it was arranged that discussion of this question should, in the first instance, take place outside the conference, between the Chinese and Japanese delegations. It was further understood that, in the event of the two delegations failing to reach agreement, Mr. Hughes and I should be called in as *amici curiæ* to try and adjust the difficulty. It was agreed, however, that the results of these conversations should be brought formally before the conference in due course.

12. The first meeting between the Chinese and Japanese delegates took place on the 1st December in the presence of Mr. Hughes and myself, as reported in my despatch No. 7 of the 2nd December.§ It was agreed that after this meeting, Mr. Hughes and I should withdraw until such time as our good offices might be required, but that in order to keep us in touch with the progress of the negotiations, Mr. MacMurray and Mr. Bell on the American side and Sir John Jordan and Mr. Lampson on the British side should be present throughout the meetings with instructions to render such good offices as might be within their power. Sir John Jordan was unfortunately prevented by urgent private affairs from remaining in Washington until the end of the negotiations, and from the 17th January onward Mr. F. Ashton-Gwatkin, of the Foreign Office, acted as second British observer.

13. The first Shantung meeting took place on the 1st December, 1921, and the thirty-sixth and last meeting on the 31st January, 1922. The Japanese proposals of the 7th September, 1921 (see Enclosure 1), were accepted, not without demur on the part of the Chinese, as the basis for discussion. Negotiations, therefore, have taken place, and agreements have been arrived at on the following points —

- (1.) The return of the leasehold of Kiaochow to China.
- (2.) The opening of the port of Kiaochow for foreign trade, protection of the vested rights of foreign nationals, opening of other towns in Shantung for foreign trade.
- (3.) Shantung Railway and mines.
- (4.) Renunciation by Japan of ex-German preferential rights in Shantung.
- (5.) Proposed extensions of the Shantung Railway, including the question of the Yentai-Weihsien Railway.
- (6.) Customs administration at Tsingtao.
- (7.) Public property in the leased territory.
- (8.) Submarine cables, wireless telegraph stations and the salt industry; Sino-Japanese commissions to deal with further regulation of details.
- (9.) Withdrawal of Japanese troops and gendarmerie.

Other subsidiary questions were discussed, but this list gives the order of the headings under which the main agreements reached were read out before the Plenary Session on the 1st February.

* Not reproduced

† See W.D.C.-47.

‡ See W.D.C.-62.

§ See W.D.C.-71.

14. From the beginning, it was clear that the question of the Shantung Railway would prove the crux of the negotiations, and indeed, none of the other subjects, with the possible exception of the salt question, presented any very serious difficulty. Under pressure from outside influences, the Chinese delegates were anxious to tackle the railway question as soon as possible, but wiser counsels prevailed, and it was decided to proceed at first with some of the easier problems, until the conversations had developed a more confident atmosphere.

15. Provisional agreements having been reached as regards public property, customs, &c., the question of the railway was first discussed at the ninth meeting on the 10th December. Discussions on the subject continued almost daily until the seventeenth meeting on the 20th December, when the Japanese delegates declared that they must await further instructions from their Government. The Japanese delegates renewed their offer of the 7th September that a Sino-Japanese company should be formed to take over the railway; the Chinese were unwilling to concur in this, and proposed instead that China should purchase the railway outright and at once. In the course of the discussions, which were of a most friendly nature, the Japanese appeared ready to abandon their first project, and to meet the Chinese desires upon the basis of a compromise, whereby Japan should retain a degree of interest in the railway for a certain number of years. The points still at issue were: (1) as regards mode of payment—whether by Chinese Treasury notes, or by loan from Japanese capitalists, (2) as regards duration of payment—twelve years with option of redemption at the end of three years, or fifteen years with the option of redemption at the end of five years, (3) as regards the appointment of Japanese experts—an engineer-in-chief, a chief accountant, and a traffic manager—for the period of the loan. It was at this stage that the suspension of the negotiations occurred. In view of the narrow distance which seemed to separate the two parties it was a disappointment to have the final settlement thus delayed, and the delay reacted upon the whole course of the conference which at that time we hoped might have been concluded by the end of the year. The Japanese delegates, however, explained that their original instructions did not authorise them to go as far as they themselves had tentatively advanced in the direction of meeting the Chinese wishes.

16. The Japanese instructions having arrived, meetings were resumed on the 4th January. Three conversations were held, but it became at once evident that the new instructions from Tokyo were likely to retard rather than to accelerate a settlement. The loan from the Japanese capitalists was insisted upon, and this proposal the Chinese refused to entertain. At the meetings of the 5th and 6th January the Chinese proposed that the good offices of Mr. Hughes and myself should now be invoked, but the Japanese were unwilling to accede to this suggestion.

17. An *impasse* had now been reached; and it was under these circumstances that Mr. Hughes and myself decided to authorise respectively Mr. MacMurray and Mr. Lampson jointly to use such means as were open to them in an endeavour to find a common meeting-ground. Four bases of possible compromise were then drawn up, as outlined in my telegram No 244 of the 10th January *

18. While these proposals were before the respective Governments, it was found possible, thanks to the initiative of Mr. MacMurray, to resume negotiations on the other outstanding points; and in a series of meetings lasting from the 11th January to the 26th January, all matters excepting the railway were satisfactorily disposed of, subject to an understanding that a railway settlement would eventually be reached. Thus the continuity of the meetings was successfully maintained.

19. Meanwhile, Mr. Hughes and I had come to the conclusion that the time had come for us to take a more active interest in the negotiations, but as the Japanese had declined the Chinese suggestion of appealing to our good offices the situation was a delicate one. We decided to appeal to the Japanese delegation to attend at my house on the 18th January, and there to meet Mr. Hughes and myself for a quite informal conversation on the subject. The Japanese accepted; and in Mr. Hughes' presence I appealed to them to use their utmost endeavour to facilitate a settlement, upon which the whole success of the conference depended.

20. On the following morning the Chinese delegation were received at Mr. Hughes' house, when I was present. Mr. Hughes took the lead, and with admirable skill impressed upon the Chinese the folly of throwing away the very concrete advantages which the Japanese were prepared to offer them.

21. These private conversations, in which Mr. Hughes and myself participated sometimes with the Chinese and sometimes with the Japanese have been fully

* See W.D.C.-130.

reported in my despatches No. 17 of the 20th January,* and No 19 of the 25th January,† and records of the minutes have been forwarded to the Foreign Office.

22 The result in brief was to evolve a new compromise on the following terms:—

- (1) Payment to be made by China in Treasury notes maturing in fifteen years and redeemable in five years.
- (2.) Joint co-equal and co-ordinate Chinese and Japanese chief accountants to be appointed
- (3.) A Japanese traffic manager to be appointed during the five years prior to the right of redemption, and during the last two and a half years of that period a Chinese assistant traffic manager to be appointed. If at the end of the five years China did not exercise her right of redemption, the Chinese assistant traffic manager would then be withdrawn, but if subsequently to that, China gave six months' notice of intention to redeem, he could then be reappointed

For the suggestion, which in its final form became clause 3, we are all indebted to Sir Maurice Hankey.

23. On the 22nd January, Mr Hughes and I presented this compromise to the Chinese delegates. Mr. Hughes, speaking not only in his own name and that of the American délégation, but in that of President Harding and the American Government as well, urged them most emphatically to accept, and I followed suit. At the same time we agreed to cable simultaneously and in similar terms to the American and British Ministers at Peking, instructing them to do their utmost to persuade the Chinese Government to agree.

24 On the 25th January, the Chinese Minister, Dr Sze, by his special request was received by the President, and obtained from Mr Harding's own lips a confirmation of the views already expressed by the Secretary of State. The attitude of the American Government and people was thus made unmistakably clear to the Chinese, and from Sir B Alston's telegrams, it is clear that in Peking at any rate the attitude of America was the deciding factor

25. On the morning of the 30th January, the Chinese delegates were received by Mr. Hughes and myself. They informed us that they had received new instructions from Peking, and that although the compromise suggested would not meet the Chinese point of view entirely, yet they would endeavour to reach a settlement on that basis.

26. Discussions of the railway were resumed at the meetings between the Chinese and Japanese delegates on the 30th and 31st January, after an interval of over three weeks. A résumé of the proceedings at these meetings will be found in Enclosure 2. After a long debate on subsidiary points, at the meeting of the 30th January the Chinese délégation, as already reported in my telegram No. 320 of the 31st January,‡ were able to give an assurance that the compromise was accepted in principle. On the morning of the 31st January, a formula concerning the whole of the railway question was drafted and agreed to by both parties (see my telegram No 321 of that date§). The afternoon session was devoted to the drafting of a joint communication to Mr. Hughes and myself embodying the texts of the provisional agreements. This communication, together with the letters from the Chinese and Japanese delegations which accompanied it, and my replies, will be found in Enclosure 3A.

27. The point concerning communication to the conference is an important one, and has already been touched on in paragraph 11 above. Mr. Hughes and myself had in the course of our private conversations with the Chinese delegates assured them that the agreement reached would appear on the records of the conference. They were thus assured of a powerful moral guarantee, on which they set great store. The Japanese, however, strongly resisted any idea of communicating to the conference direct, a proceeding which might give the impression, intolerable to Japanese public opinion, that the agreement had been reached at the conference's behest. The two delegations, however agreed to make their joint communication personally to Mr Hughes and myself as having offered our good services towards the settlement of the controversy, and to leave to our discretion the question of a report to the conference

* See W.D.C.-184.

† See W.D.C.-202.

‡ See W.D.C.-180.

§ See W.D.C.-181.

28. On the 1st February in the plenary session of the conference, Mr. Hughes read out the terms of settlement as provisionally agreed upon, and as already communicated to us (see Enclosure 3a). The announcement was greeted with marked expressions of public approval, and both the Chinese and Japanese delegations expressed their satisfaction that this long controversy had at last been settled, and their gratitude to Mr. Hughes and myself for our good offices (see my telegram to the Foreign Office, No. 324 of the 1st February*).

29. It was at this juncture that I deemed it expedient, indeed, imperative, to make a declaration concerning the return of Wei-hai Wei to China. The question of Wei-hai Wei will be dealt with in a separate despatch;† but as indicated above in paragraph 3, this question of Wei-hai Wei is an integral part of the general Shantung question, and to have remained silent at that critical moment would have entailed the loss of a unique opportunity for giving concrete evidence of the spirit in which the British Empire has taken part in this conference.

30. All agreements reached have at the time been telegraphed to the Foreign Office, to whom full minutes of the meetings have been forwarded, and adequate résumés of the proceedings have been enclosed in my despatches. Advance copies of the Treaty were forwarded to me with notes from the Chinese and Japanese delegations (see Enclosure 4). The signature of the Treaty took place on the 4th February at 5.45 P.M. at the Pan-American Building (see my telegram No. 336 to the Foreign Office‡) Mr. Hughes and myself, as well as the American and British observers, were invited to be present; and after signature, Dr. Sze, on behalf of the Chinese, and Admiral Baron Kato, on behalf of the Japanese, formally expressed to us the gratitude of their respective countries for our services. The Japanese delegates had already on the preceding day made a special point of tendering to me their formal thanks.

31. The Shantung Agreement must be regarded as one of the most important consequences of the Washington Conference. The settlement is a compromise, and as such is bound to be attacked both in China and Japan; but it is a compromise based on justice and common-sense, and will therefore, I think, command the support of fair-minded people. It returns to China within a few months of ratification the whole of the leased territory and administrative rights and most of the public property, with no unreasonable conditions attached. China recovers at once a considerable degree of control over the Shantung Railway, with complete control at the end of five years, if she wills it, and at the end of fifteen years in any case. It is inconceivable that the presence of a Japanese traffic manager and co-accountant can, in the course of five years, transform Shantung into an appanage of Japan. Six months ago a solution so favourable to China would have seemed quite out of reach in the near future.

32. Before concluding, I would like to pay a tribute to the friendly spirit in which the negotiations were carried on by both parties, and especially to the tact and skill in negotiation shown by Baron Shidehara on the one side, and by Dr. Koo on the other. On several occasions the situation, imperilled by the more intransigent attitude of their colleagues, was saved by the patience and forbearance of these two able spokesmen.

33. But to me, and I believe equally to the Secretary of State, one of the most felicitous aspects of these negotiations has been the perfect confidence and frankness with which the American and British "observers" have been able to co-operate with each other, and with the Chinese and Japanese delegations.

I am, &c.

ARTHUR JAMES BALFOUR.

Enclosure 1.

Outline of the Terms of Settlement concerning Shantung as presented to the Chinese Government by the Japanese Minister at Peking on September 7, 1921.

THE leasehold of Kiaochow and the rights originally granted to Germany with regard to the 50-kilometre zone around the Kiaochow Bay shall be restored to China.

2. The Japanese Government will abandon plans for the establishment of a Japanese Exclusive Settlement or of an International Settlement in Tsingtao;

* See W.D.C.-188.

† See W.D.C.-223.

‡ See W.D.C.-196

provided that China engages to open of its own accord the entire leased territory of Kiaochow as a port of trade, and to permit the nationals of all foreign countries freely to reside and to carry on commerce, industry, agriculture or any other lawful pursuits within such territory, and that she further undertakes to respect the vested rights of all foreigners.

China shall likewise carry out forthwith the opening of suitable cities and towns within the Province of Shantung for residence and trade of the nationals of all foreign countries.

Regulations for the opening of places under the foregoing clauses shall be determined by the Chinese Government upon consultation with the Powers interested.

3. The Kiaochow-Tsinanfu Railway and all mines appurtenant thereto shall be worked as a joint Sino-Japanese enterprise.

4. Japan will renounce all preferential rights with regard to foreign assistance in persons, capital and material stipulated in the Sino-German Treaty of the 6th March, 1898.

5. Rights relating to the extensions of the Kiaochow-Tsinanfu Railway, as well as options for the construction of the Yentai-Weihsien Railway, will be thrown open for the common activity of the International Financial Consortium in China.

6. The status of the Custom-House at Tsingtao as forming an integral part of the general customs system of China shall be made clearer than under the German régime.

7. Public property used for administrative purposes within the leased territory of Kiaochow will, in general, be transferred to China; it being understood that the maintenance and operation of public works and establishments shall be previously arranged between the Japanese and Chinese Governments.

8. With a view to arranging detailed plans for carrying into effect the terms of settlement above indicated, and for the purpose of adjusting other matters not embodied therein; the Japanese and Chinese Governments shall appoint their respective commissioners as soon as possible.

9. The Japanese Government have on more than one occasion declared willingness to proceed to the recall of Japanese troops now stationed along the Kiaochow-Tsinanfu Railway upon organisation by China of a police force to assume protection of the railway. As soon as the Chinese Government shall have organised such a police force and notify the Japanese Government to that effect, Japanese troops will be ordered to hand over to the Chinese police the charge of the railway protection, and thereupon immediately to withdraw. It is, however, to be understood that the question of the organisation of a special police guarding the Kiaochow-Tsinanfu Railway shall be reserved for future consideration between Japan and China.

Enclosure 2.

Résumé of Shantung Conversations.

(i.) *January 26, 4 P.M. 33rd Meeting. Chinese Claims for Damages.*

THE long discussion on the setting up of a special Commission to deal with the investigation and adjudication of Chinese claims for damages was continued from the preceding meeting. The Japanese contested the necessity of creating any special machinery of this kind for dealing with work which could be disposed of in the ordinary way through the Consular Courts, or, in case of claims against the Japanese authorities, through diplomatic channels. From a practical point of view, especially, they objected that the findings of such a commission could not be made legally binding on Japanese subjects, nor could the Japanese Government possibly undertake to enforce such findings on their nationals. They showed themselves sympathetic towards obtaining reparation for any such claims as might be found just, and they were not opposed to the idea of joint investigation, if that method should be found the best way of establishing the truth, but they would not have any Article dealing with this question inserted in the Agreement. An understanding was recorded in the minutes that with regard to claims filed against the Japanese authorities (*e.g.*, requisitioning land for target practice), the Japanese Government would take them up with the Chinese Government, would investigate them, and, if found just, would have fair reparation made; with regard to claims against Japanese subjects,

such cases would be handled by the Japanese Consular Authorities with such additional staff as might be found necessary, nor would Japan necessarily object to a Sino-Japanese Commission, if found advisable. To this record, the Chinese Delegation added the following declaration:—

“The omission of reference in the agreement on Shantung to the question of claims does not prejudice any claims which China or Chinese citizens may have against the Japanese Government or Japanese subjects arising during the period of Japanese occupation.”

The Japanese placed on record a rejoinder to the effect that—

“The Japanese Government cannot be held responsible for any damage which might have been caused by military operations during the late war.”

They added that this record must not be taken as an admission that any of these claims were justified.

A discussion followed on procedure concerning the Treaty, and it was decided that special full powers would have to be issued by the respective Governments. The full powers would then be communicated by the Chinese Government to the Japanese Minister at Peking, and by the Japanese Government to the Chinese Minister at Tokyo, and the delegations informed by telegram. The Chinese Delegates suggested that the American representatives at these two capitals should also be notified, as the United States Government had convened the Conference. The Japanese Delegation had no objection, but enquired why the British representatives should not also be notified, and strongly emphasised the fact that there were two quite independent Conferences at Washington: (1) the Shantung Conference, and (2) the Nine-Power Conference. It was decided to leave the question of notification to the discretion of the two Governments. It was further arranged to draft the Treaty in English, and to proceed afterwards with the Chinese and Japanese texts, if the Governments thought it necessary.

(ii) *January 30, 3 P.M. 34th Meeting. Railway.*

Discussion of the Shantung Railway question was resumed at the formal meetings after a lapse of more than three weeks. Meanwhile private conversations had been taking place between Mr. Hughes and Mr. Balfour and the two Delegations. A provisional basis of compromise was arrived at in consequence, and was outlined by Baron Shidehara at the commencement of the 34th meeting, as follows: (1) redemption of the railway to be effected by Chinese Treasury Notes, (2) these notes to run for a period of fifteen years, but after five years China to have the right of redeeming all the outstanding liabilities, (3) a Chinese and a Japanese to be employed as co-Accountants, having the same responsibilities; (4) a Japanese Traffic Manager to be employed for the period during which the Treasury Notes remain unredeemed, (5) a Chinese Assistant Traffic Manager to be appointed under the Japanese Traffic Manager after two and a half years and for a period of two and a half years; at the end of that time if China did not redeem the railway, the appointment would lapse, but reappointment could take place at any time after six months' notice of redemption had been given.

Later on in the course of the meeting, but not at the beginning, the Chinese Delegation gave it to be understood that a settlement on these lines would be acceptable to them.

The meeting, which lasted without intermission from 3 to 9.45 P.M., was given up to prolix discussion of subsidiary points. The two first points to be clarified were (1) that the loan was to run from the moment that the Treasury Notes were deposited with the Japanese Government, (2) that there was to be no redemption or payment during the first five years. The Japanese Delegation promised to assign on the following day a definite date for the transfer of the railway.

A rather bitter debate then arose as to the degree of authority which the Japanese Government was to have in the selection of the experts. At one moment, Dr. Sze seemed to wish to make this a question of principle, and even to charge the Japanese with trying to advance beyond the terms of the compromise. But as Dr. Koo and the foreign observers pointed out, it was really only a matter of practical convenience that the Japanese Government should be consulted so as to get the best

men available for the posts. Eventually, the following understanding was recorded in the minutes :

“ In the selection of these experts the Chinese Government will ask the Japanese Government for such information as will be useful for making a suitable selection.”

It was made clear that these experts would be employees of China under the Chinese Managing Director of the line, and in no way agents of the Japanese Government. They could be removed for misconduct, and other Japanese appointed in their place.

The question of the period and nature of the notice to be given to the present Japanese railway staff was then discussed at great length. The Chinese appeared to be anxious that wholesale notice should be given as soon as possible, but the Japanese objected that such a proceeding was not practicable. The Japanese wished also to secure that reasonable notice should be given to their men, and that nothing should be taken as excluding some of them at least from continuing in the service of the railway if the Chinese Managing Director so desired. This last proposal seemed to arouse some suspicion among the Chinese lest the Japanese subordinate staff might be retained after all, but the Japanese Delegates hastened to give reassurances on this point. A formula, to be recorded in the minutes, was agreed upon by both parties, as follows :—

“ It is understood that on taking over the railway the Chinese authorities shall have full power and discretion to continue or remove the present employees of Japanese nationality in the service of the railway, and that reasonable notice may be given before the date of the transfer of the railway. Detailed arrangements regarding the replacements to take effect immediately on the transfer of the railway to China are to be made by the Chinese and Japanese authorities ”

Even after this understanding had been recorded, the question of the subordinate staffs, which greatly exercised the Chinese, continued to be discussed in connection with the wording of the article for insertion in the final Treaty concerning the Traffic Manager and his staff. The Chinese proposed a wording by which the personnel of the subordinate staff was to be reserved specifically for Chinese nationals, but the Japanese objected to a clause of such an exclusive nature, though they clearly acknowledged that the railway would be a Chinese railway and the Chinese Managing Director would be at liberty to employ whoever he wished and that Japan had no intention of claiming further posts for her nationals. Finally, the clause dealing with the two Japanese experts was adopted for the proposed Treaty, while the understandings concerning the Chinese Assistant Traffic Manager and the subordinate staffs were relegated to the minutes, as follows :—

(For insertion in the Treaty.)

“ Pending the redemption of the said Treasury Notes, the Chinese Government will select and appoint for so long a period as the said notes shall remain unredeemed, a Japanese subject to the post of Traffic Manager and another Japanese subject to be Chief Accountant jointly with the Chinese Chief Accountant with co-ordinate functions. These three officials shall all be under the direction, control and supervision of the Chinese Managing Director, and removable for cause.”

(For record in the Minutes.)

“ It is understood : (1) that the entire subordinate staff of the Japanese Traffic Manager is to be appointed by the said Chinese Managing Director; (2) that after two years and a half from the date of the transfer of the railway, the Chinese Government may appoint an Assistant Traffic Manager of Chinese nationality, for the period of two and a half years, and that such Assistant Chinese Traffic Manager may also be appointed at any time after six months' notice for the redemption of the Treasury Notes is given.”

A further declaration of the Japanese Delegation was, after debate and emendations, recorded in the minutes as follows :—

“ Japan has no intention of claiming that China is under any obligation to appoint Japanese subjects as members of the said subordinate staffs.”

Further understandings were reached (1) that funds to redeem the railway would not be raised from sources other than Chinese; (2) that no new agreements or contracts prejudicial to the railway administration would be entered into prior to transfer; (3) that those now running would cease to operate on transfer.

At the close of the meeting, certain dates still remained to be filled in, and a formula to be drafted covering the whole of the railway question. It was decided also that a joint communication should be drawn up to be transmitted to Mr. Hughes and Mr. Balfour, as having tendered their good offices to the negotiations. The Japanese insisted that no communication should be made to the Conference direct, though they had no objection to Messrs. Hughes and Balfour reporting the settlement to the Conference at their own discretion.

(iii.) *January 31, 10 A.M. 35th Meeting. Railway, &c.*

After a short debate on the period of time requisite for the fixing of financial technicalities relating to the transfer of the railway, a Japanese draft covering the whole of the railway question was accepted almost in its entirety, as follows:—

Japan shall transfer to China the Tsingtao-Tsinanfu Railway and its branches, together with all the properties appurtenant thereto, including wharves, warehouses and other similar properties.

China, on her part, undertakes to reimburse to Japan the actual value of the railway properties mentioned in the preceding paragraph. The actual value to be so reimbursed shall consist of the sum of 53,406,141 gold marks (which is the assessed value of such portion of the said properties as was left behind by the Germans), or its equivalent, plus the amount which Japan, during her administration of the railway, has actually expended for permanent improvements on or additions to the said properties, less a suitable allowance for depreciation. It is understood that no charge will be made with respect to the wharves, warehouses and other similar properties mentioned in paragraph 1 of this article, except for such permanent improvements on or additions to them as may have been made by Japan during her administration of the railway, less a suitable allowance for depreciation.

The Government of Japan and the Government of China shall each appoint three commissioners to form a Joint Railway Commission, with powers to appraise the actual value of the railway properties on the basis defined in the preceding paragraph, and to arrange the transfer of the said properties.

Such transfer shall be completed as soon as possible, and, in any case, not later than nine months from the date of the coming into force of the present agreement.

To effect the reimbursement under paragraph 2 of this article, China shall, simultaneously with the completion of the transfer of the railway properties, deliver to Japan, Chinese Government Treasury notes, secured on the properties and revenues of the railway, and running for a period of fifteen years, but redeemable at the option of China at the end of five years from the date of the delivery of the Treasury notes, or at any time thereafter upon six months' previous notice.

Pending the redemption of the said Treasury notes, the Chinese Government will select and appoint, for so long a period as the said notes remain unredeemed, a Japanese subject to the post of traffic manager and another Japanese subject to be chief accountant jointly with the Chinese chief accountant with co-ordinate functions. These officials shall all be under the direction, control and supervision of the Chinese managing director, and removable for cause.

Financial details of a technical character relating to the said Treasury notes, not provided for in this article, shall be determined in mutual accord between the Chinese and Japanese authorities, as soon as possible and in any case not later than six months from the coming into force of the present agreement.

At the request of the Chinese, the following understanding was removed from the proposed Treaty article and recorded in the minutes:—

“It is understood that the redemption of the said Treasury notes will not be effected with funds raised from any source other than Chinese.”

A period of six months was further agreed upon: (1) for the transfer and adjustment of public properties; and (2) for the transfer of the salt industry. Certain questions which had been referred to the Japanese Government were then dealt with: (1) public properties—that they should be transferred to China without extra charge; (2) telephones—that they should be transferred to China, subject to charges for additions and improvements and subject to depreciation.

(iv.) *January 31, 5 P.M. 36th Meeting. Communication to Mr. Hughes and Mr. Balfour*

The wording of the joint communication to be made to Mr. Hughes and Mr. Balfour, recording all the agreements and understandings arrived at was discussed at considerable length

Enclosure 3A.

(1.)

*Chinese Delegation, Washington,
February 1, 1922*

Sir,

ON behalf of the Chinese Delegation, I have the honour to apprise you that the conversations between the Chinese and Japanese Delegations on the Shantung question, which were arranged through the good offices of yourself and Mr. Hughes, have resulted in complete accord.

Knowing your friendly interest in a satisfactory adjustment of this question, I am pleased to communicate to you herewith enclosed the substance of the terms agreed upon by the two Delegations.* A treaty on the basis of these terms is in the course of drafting, and as soon as it is signed, I shall take pleasure in communicating to you a copy.

In informing you of the successful conclusion of our conversations, I beg to express the gratification of the Chinese Delegation that the Conference on the Limitation of Armament, so happily convoked by the Government of the United States, has afforded an opportunity for the settlement of this important international question, and to thank you for all your good offices which have made this opportunity fruitful of such a felicitous result

Accept, Sir, the renewed expression of my highest consideration.

(Signed) SAO-KE ALFRED SZE.

The Right Hon Arthur J. Balfour,
&c., &c.

(2.)

*1302, Eighteenth Street, Washington, D.C.,
February 1, 1922.*

Dear Mr. Minister,

I FEEL that I must lose no time in thanking you for your courtesy in communicating to me a copy of the terms agreed upon between the Chinese and Japanese Delegations on the various issues involved in the Shantung question

Let me add that it will always be a source of the deepest gratification to me to have been associated, in whatever degree, with the task of composing the differences to which this long outstanding question had given rise. If anything were indeed needed to make my pleasure complete, it would be the generous appreciation which you and your colleagues of the Chinese Delegation are kind enough to express of such services as I have been able to render in the issue now so happily settled.

Yours sincerely,

(Signed) ARTHUR JAMES BALFOUR

His Excellency the Chinese Minister.

(3.)

Sir,

Japanese Delegation, January 31, 1922.

ON behalf of the Japanese Delegation, I have the honour to inform you that the conversations which were commenced early in December between the Japanese and Chinese representatives, through the good offices of yourself and Mr. Hughes, on the question of Shantung have now come to a successful close.

Highly appreciating as I do the keen interest which you have constantly manifested in a satisfactory adjustment of the question, I am particularly pleased to communicate to you herewith enclosed the substance of the terms agreed upon

* See Enclosure 3B.

respecting various issues involved in the matter.* A treaty on the basis of such terms is in the course of drafting.

In making this communication to you, I beg to express the sincere thanks of my Japanese colleagues and myself for all your friendly efforts in bringing together the Japanese and Chinese Delegations with such a happy result.

Accept, Sir, the renewed assurances of my highest consideration.
(Signed) K. SHIDEHARA.

Right Hon Arthur James Balfour, O.M., M.P.,
British Delegation.

(4.)

1302, Eighteenth Street, Washington, D.C.,
February 1, 1922.

My dear Ambassador,

LET me thank you for your kindness in sending me a copy of the terms agreed upon between the Japanese and Chinese Delegations in regard to the various issues bound up with the question of Shantung.

It is very good of you to express, on your own behalf and that of your colleagues in the Japanese Delegation, your appreciation of such services as I have been able to render in the matter. I need hardly say that it both is, and will remain, for me a source of the keenest gratification to have been associated, however indirectly, with the work of facilitating the settlement which has now been so happily reached.

Yours sincerely,
(Signed) ARTHUR JAMES BALFOUR.

His Excellency the Japanese Ambassador.

Enclosure 3B.

(Strictly Confidential.)

SHANTUNG AGREEMENTS.

I.—*Former German Leased Territory of Kiaochow.*

JAPAN shall restore to China the former German Leased Territory of Kiaochow.

2. The Governments of China and Japan shall each appoint a Commission with powers to make and carry out detailed arrangements relating to the transfer of the administration and of public property in said territory and to settle other matters equally requiring adjustment. For such purposes the Chinese and Japanese Commissions shall meet immediately upon the coming into force of the present Agreement.

3. The said transfer and adjustment shall be completed as soon as possible, and in any case, not later than six months from the date of the coming into force of this Agreement.

4. The Japanese Government agrees to hand over to the Chinese Government upon the transfer to China of the administration of the former German Leased Territory of Kiaochow such archives, registers, plans, title-deeds and other documents, in the possession of Japan, or certified copies thereof, as may be necessary for the said transfer as well as those that may be useful for the administration by China, after such transfer, of that territory and of the 50-kilometre zone around the Kiaochow Bay.

II.—*Public Properties.*

1. The Government of Japan undertakes to transfer to the Government of China all public properties, including land, buildings, works or establishments in the Leased Territory of Kiaochow, whether formerly possessed by the German authorities, or purchased or constructed by the Japanese authorities during the Japanese administration of the said territory, save those indicated in paragraph 3 of this Treaty.

2. In the transfer of such public properties no compensation will be claimed from the Government of China, except (1) for those purchased or constructed by the

* See Enclosure 3B.

Japanese authorities, and also (2) for the improvements on or additions to those formerly possessed by the German authorities. With regard to cases under these two categories, the Government of China shall refund a fair and equitable proportion of the expenses actually incurred by the Government of Japan for such properties specified in (1), or such improvements or additions specified in (2), having regard to the principle of depreciation and continuing value.

3. It is agreed that such public properties in the Leased Territory of Kiaochow as are required for the Japanese Consulate to be established in Tsingtao shall be retained by the Government of Japan, and that those required more specially for the benefit of the Japanese community, including public schools, shrines and cemeteries, shall be left in the hands of the said community.

4. Details of such matters shall be arranged by the Joint Commission provided for in article of this Treaty.

III.—*Japanese Troops*

The Japanese troops, including gendarmes, now stationed along the Tsingtao-Tsinanfu Railway and its branches shall be withdrawn as soon as the Chinese police or military force shall have been sent to take over the protection of the railway.

The disposition of the Chinese police or military force and the withdrawal of the Japanese troops under the foregoing provisions may be effected in sections. The date of the completion of such process for each section shall be arranged in advance between the competent authorities of China and Japan. The entire withdrawal of such Japanese troops shall be effected if possible within three months, and in any case not later than six months from the date of the signature of the present Agreement.

The Japanese garrison at Tsingtao shall be completely withdrawn simultaneously, if possible, with the transfer of the administration of the Leased Territory of Kiaochow to China, and in any case not later than thirty days from the date of such transfer.

IV.—*Maritime Customs.*

1. It is agreed that upon the coming into force of the present Treaty the Custom-House of Tsingtao shall be made an integral part of the Chinese Maritime Customs.

2. It is understood that the Provisional Agreement of the 6th August, 1915, between China and Japan, relative to the maritime customs office of Tsingtao will cease to be effective upon the coming into force of the present Treaty.

V.—*Tsingtao-Tsinanfu Railway.*

Japan shall transfer to China the Tsingtao-Tsinanfu Railway and its branches, together with all the properties appurtenant thereto, including wharves, warehouses and other similar properties.

China, on her part, undertakes to reimburse to Japan the actual value of the railway properties mentioned in the preceding paragraph. The actual value to be so reimbursed shall consist of the sum of 53,406,141 gold marks (which is the assessed value of such portion of the said properties as was left behind by the Germans), or its equivalent, plus the amount which Japan, during her administration of the railway, has actually expended for permanent improvements on or additions to the said properties, less a suitable allowance for depreciation. It is understood that no charge will be made with respect to the wharves, warehouses and other similar properties mentioned in paragraph 1 of this Article, except for such permanent improvements on or additions to them as may have been made by Japan during her administration of the railway, less a suitable allowance for depreciation.

The Government of China and the Government of Japan shall each appoint three commissioners to form a Joint Railway Commission, with powers to appraise the actual value of the railway properties on the basis defined in the preceding paragraph, and to arrange the transfer of the said properties.

Such transfer shall be completed as soon as possible, and, in any case, not later than nine months from the date of the coming into force of the present Agreement.

To effect the reimbursement under paragraph 2 of this Article, the Chinese Government shall simultaneously with the completion of the transfer of the railway properties to Japan Chinese Government Treasury Notes, secured on the property and revenues of the railway, and running for a period of fifteen years, be issued at

the option of China at the end of five years from the date of the delivery of the Treasury Notes, or at any time thereafter upon six months' previous notice.

Pending the redemption of the said Treasury Notes, the Chinese Government will select and appoint, for so long a period as the said notes remain unredeemed, a Japanese subject to the post of Traffic Manager and another Japanese subject to be Chief Accountant jointly with the Chinese Chief Accountant with co-ordinate functions. These officials shall all be under the direction, control and supervision of the Chinese Managing Director, and removable for cause.

Financial details of a technical character relating to the said Treasury Notes, not provided for in this Article, shall be determined in mutual accord between the Chinese and Japanese authorities as soon as possible, and in any case not later than six months from the date of the coming into force of the present Agreement.

VI.—*Extensions of the Tsingtao-Tsinanfu Railway.*

It is agreed that the concessions relating to the two extensions of the Tsingtao-Tsinanfu Railway, namely, the Tsinanfu-Shunteh and the Kaomi-Hsuchowfu lines, will be thrown open for the common activity of an international financial group, on terms to be arranged between the Chinese Government and the said group.

VII.—*Mines.*

The mines of Tsechwan, Fangtze and Chinlingchen, for which the mining rights were formerly granted by China to Germany, shall be handed over to a company to be formed by a special charter of the Chinese Government, in which the Japanese capital may not exceed the amount of the Chinese capital.

The mode and terms of such arrangement shall be determined by the Chinese and Japanese Commissions which are to be appointed for that purpose and which shall meet immediately upon the coming into force of the present Agreement.

VIII.—*Opening of the former German Leased Territory.*

The Japanese Government declares that it has no intention of seeking the establishment of an exclusive Japanese settlement or of an International Settlement in Tsingtao.

The Chinese Government, on its part, declares that the entire area of the former German Leased Territory of Kiaochow will be opened to foreign trade, and that foreigners will be permitted freely to reside and to carry on commerce, industry and other lawful pursuits within such area.

The vested rights lawfully and equitably acquired by foreign nationals in said area under the German régime or during the Japanese military occupation will be respected.

All questions relating to the status or validity of such vested rights acquired by Japanese nationals shall be arranged by the Sino-Japanese Joint Commission.

IX.—*Salt Industry.*

Whereas the salt industry is a Government monopoly in China, it is agreed that the interests of Japanese companies or Japanese nationals actually engaged in the said industry along the coast of Kiaochow Bay are to be purchased by the Chinese Government on payment of fair compensation, and that exportation to Japan of a quantity of salt produced by the said industry along the said coast is to be permitted on reasonable terms. Arrangements for the above purposes, including the transfer of said interests to the Chinese Government, shall be completed by the Chinese and Japanese Commissions as soon as possible, and in any case not later than six months from the date of the coming into force of the present Agreement.

X.—*Submarine Cables.*

Japan declares that all the rights, title and privileges concerning the former German submarine cables between Tsingtao and Chefoo, and between Tsingtao and Shanghai, are vested in China, with the exception of those portions of the said two cables which have been utilised by the Japanese Government for the laying of a cable between Tsingtao and Sasebo; it being understood that the question relating to the landing and operation at Tsingtao of the said Tsingtao-Sasebo cable shall be

arranged by the Chinese and Japanese Commissions, subject to the terms of the existing contracts to which China is a party.

XI.—*Wireless Stations.*

The Japanese wireless stations at Tsingtao and Tsinanfu shall be transferred to China upon the withdrawal of the Japanese troops at those two places, respectively, with fair compensation for the value of these stations. The details of such transfer and compensation shall be arranged by the Chinese and Japanese Commissions.

Annexes to Enclosure 3B.

I.—*Preferential Rights.*

Japan declares that she renounces all preferential rights with regard to foreign assistance in persons, capital and material stipulated in the Sino-German Treaty of the 6th March, 1898.

II.—*Public Enterprises.*

Enterprises relating to the electric light, telephone, stockyard, &c., shall be handed over to the Chinese Government, with the understanding that the stockyard, electric light, and laundry enterprises are, in turn, to be handed over to the municipal government of Tsingtao, which will form Chinese corporations in conformity with the Chinese Company Law to manage them under municipal supervision and regulations.

III.—*Telephones*

1 The Japanese Government agrees to turn over to the Chinese Government the telephone enterprise in the former German Leased Territory of Kiaochow.

2. As regards such telephone enterprise the Chinese Government will give due consideration to requests from the foreign community at Tsingtao for such extensions and improvements as may be reasonably required by the general interests of the public

IV.—*Public Works.*

The Chinese Government declares that in the management and maintenance of the public works in Tsingtao such as roads, waterworks, parks, drainage, sanitary equipment, &c., handed over to the Chinese Government by the Japanese Government the foreign community in Tsingtao shall have fair representation

V.—*Maritime Customs.*

The Chinese Government declares that it will move the Inspector-General of the Chinese Maritime Customs to permit the Japanese traders at Tsingtao to communicate with the said customs in the Japanese language, and, in the selection of a suitable staff for the Tsingtao customs, to give consideration within the limits of its established service regulations to the diverse needs of the trade of Tsingtao.

VI.—*Tsingtao-Tsinanfu Railway.*

Should the Joint Railway Commission fail to reach an agreement on any of the matters entrusted to its charge, the points at issue shall be taken up by the two Governments for discussion and adjustment by means of diplomacy.

In the determination of such points the two Governments shall, if necessary, obtain recommendations of an expert or experts of a third Power or Powers, who shall be designated in mutual agreements with each other

VII.—*Extension of Tsingtao-Tsinanfu Railway.*

The Japanese Government has no intention of claiming that the option for the construction of the Chefoo-Weihsien Railway should be thrown open for the common activity of the International Financial Consortium if that railway is to be constructed with Chinese capital.

VIII.—*Opening of the Former Leased Territory.*

The Chinese Government declares that, pending the enactment and general application of laws regulating the system of local self-government in China, the Chinese local authorities will ascertain the views of the foreign residents in the former German Leased Territory of Kiaochow in such municipal matters as may directly affect their welfare and interests.

 UNDERSTANDINGS RECORDED IN THE MINUTES.
Tsingtao-Tsinanfu Railway

1 It is understood that, on taking over the railway, the Chinese authorities shall have full power and discretion to continue or remove the present employees of Japanese nationality in the service of the railway and that reasonable notice may be given before the date of transfer of the railway.

Detailed arrangements regarding the replacements to take effect immediately on the transfer of the railway to China are to be made by the Chinese and Japanese authorities

2. It is understood (1) that the entire subordinate staff of the Japanese Traffic Manager and of the Japanese Chief Accountant is to be appointed by the Chinese Managing Director, and (2) that after two years and a half from the date of the transfer of the railway, the Chinese Government may appoint an Assistant Traffic Manager of Chinese nationality, for the period of two years and a half, and that such Assistant Chinese Traffic Manager may also be appointed at any time after six months' notice for the redemption of the Treasury Notes is given.

3 The Japanese Delegation declare that Japan has no intention to claim that China is under any obligation to appoint Japanese nationals as members of the said subordinate staff

4. It is understood that the redemption of the said Treasury Notes will not be effected with funds raised from any source other than Chinese

 Enclosure 4.

Dear Mr. Balfour,

Japanese Delegation, February 3, 1922

I HAVE the honour to inform you that the proposed treaty on the question of Shantung has finally been agreed upon between the Japanese and Chinese Delegations, in the form of the text attached herewith.

With high regard, I am, dear Mr. Balfour, yours very sincerely,

(Signed)

K. SHIDEHARA,

Ambassador of Japan.

The Right Hon. A. J. Balfour,
British Delegation, Washington.

Sir,

Chinese Delegation, February 4, 1922.

On the 1st instant I had the honour to communicate to you the terms agreed upon by the Chinese and Japanese Delegations on the Shantung question as the result of the conversations between them arranged through the good offices of yourself and Mr. Hughes, and I added that a treaty on the basis of those terms was in course of drafting.

This Treaty, in twenty-eight articles, with an Annex of six paragraphs, is now ready for signature, and I have the honour to enclose two copies for your information. I shall take pleasure in writing you again so soon as it is signed.

Accept, Sir, the renewed expression of my highest consideration,

(Signed)

SAO-KE ALFRED SZE.

The Right Hon. A. J. Balfour,
British Delegation, Washington.

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Annex to Enclosure 4.

TREATY FOR THE SETTLEMENT OF OUTSTANDING QUESTIONS RELATIVE TO SHANTUNG.

CHINA and Japan, being equally animated by a sincere desire to settle amicably and in accordance with their common interest outstanding questions relative to Shantung, have resolved to conclude a treaty for the settlement of such questions, and have to that end named as their Plenipotentiaries, that is to say:

His Excellency the President of the Chinese Republic:

Sao-Ke Alfred Sze, Envoy Extraordinary and Minister Plenipotentiary,
Vikyuin Wellington Koo, Envoy Extraordinary and Minister Plenipotentiary; and

Chung-Hui Wang, Former Minister of Justice;

His Majesty the Emperor of Japan:

Baron Tomosaburo Kato, Minister of the Navy,

Baron Kijuro Shidehara, Ambassador Extraordinary and Plenipotentiary;
and

Masanao Hanihara, Vice-Minister for Foreign Affairs;

Who, having communicated to each other their respective full powers, found to be in good and due form, have agreed upon the following Articles

SECTION I—*Restoration of the Former German Leased Territory of Kiaochow.*

ARTICLE I.

Japan shall restore to China the former German Leased Territory of Kiaochow.

ARTICLE II.

The Government of the Chinese Republic and the Government of Japan shall each appoint three Commissioners to form a Joint Commission, with powers to make and carry out detailed arrangements relating to the transfer of the administration of the former German Leased Territory of Kiaochow and to the transfer of public properties in the said Territory and to settle other matters likewise requiring adjustment

For such purposes, the Joint Commission shall meet immediately upon the coming into force of the present Treaty

ARTICLE III.

The transfer of the administration of the former German Leased Territory of Kiaochow and the transfer of public properties in the said Territory, as well as the adjustment of other matters under the preceding Article, shall be completed as soon as possible, and, in any case, not later than six months from the date of the coming into force of the present Treaty.

ARTICLE IV.

The Government of Japan undertakes to hand over to the Government of the Chinese Republic upon the transfer to China of the administration of the former German Leased Territory of Kiaochow, such archives, registers, plans, title-deeds and other documents in the possession of Japan, or certified copies thereof, as may be necessary for the transfer of the administration, as well as those that may be useful for the subsequent administration by China of the said Territory and of the Fifty Kilometre Zone around Kiaochow Bay.

SECTION II.—*Transfer of Public Properties*

ARTICLE V.

The Government of Japan undertakes to transfer to the Government of the Chinese Republic all public properties including land, buildings, works or establishments in the former German Leased Territory of Kiaochow, whether formerly

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possessed by the German authorities, or purchased or constructed by the Japanese authorities during the period of the Japanese administration of the said Territory, except those indicated in Article VII of the present Treaty.

ARTICLE VI.

In the transfer of public properties under the preceding Article, no compensation will be claimed from the Government of the Chinese Republic: Provided, however, that for those purchased or constructed by the Japanese authorities, and also for the improvements on or additions to those formerly possessed by the German authorities, the Government of the Chinese Republic shall refund a fair and equitable proportion of the expenses actually incurred by the Government of Japan, having regard to the principle of depreciation and continuing value.

ARTICLE VII.

Such public properties in the former German Leased Territory of Kiaochow as are required for the Japanese Consulate to be established in Tsingtao shall be retained by the Government of Japan, and those required more especially for the benefit of the Japanese community, including public schools, shrines and cemeteries, shall be left in the hands of the said community.

ARTICLE VIII.

Details of the matters referred to in the preceding three Articles shall be arranged by the Joint Commission provided for in Article II of the present Treaty.

SECTION III.—*Withdrawal of Japanese Troops.*

ARTICLE IX.

The Japanese troops, including gendarmes, now stationed along the Tsingtao-Tsinanfu Railway and its branches, shall be withdrawn as soon as the Chinese police or military force shall have been sent to take over the protection of the railway.

ARTICLE X.

The disposition of the Chinese police or military force and the withdrawal of the Japanese troops under the preceding Article may be effected in sections.

The date of the completion of such process for each section shall be arranged in advance between the competent authorities of China and Japan.

The entire withdrawal of such Japanese troops shall be effected within three months, if possible, and, in any case, not later than six months, from the date of the signature of the present Treaty.

ARTICLE XI.

The Japanese garrison at Tsingtao shall be completely withdrawn simultaneously, if possible, with the transfer to China of the administration of the former German Leased Territory of Kiaochow, and, in any case, not later than thirty days from the date of such transfer.

SECTION IV.—*Maritime Customs at Tsingtao.*

ARTICLE XII.

The Custom House of Tsingtao shall be made an integral part of the Chinese Maritime Customs upon the coming into force of the present Treaty.

ARTICLE XIII.

The Provisional Agreement of the 6th August, 1915, between China and Japan, relating to the reopening of the Office of the Chinese Maritime Customs at Tsingtao shall cease to be effective upon the coming into force of the present Treaty.

SECTION V.—*Tsingtao-Tsinanfu Railway.*

ARTICLE XIV.

Japan shall transfer to China the Tsingtao-Tsinanfu Railway and its branches, together with all other properties appurtenant thereto, including wharves, warehouses and other similar properties

ARTICLE XV.

China undertakes to reimburse to Japan the actual value of all the railway properties mentioned in the preceding article.

The actual value to be so reimbursed shall consist of the sum of fifty-three million four hundred and six thousand, one hundred and forty-one (53,406,141) gold marks (which is the assessed value of such portion of the said properties as was left behind by the Germans), or its equivalent, plus the amount which Japan, during her administration of the railway, has actually expended for permanent improvements on or additions to the said properties, less a suitable allowance for depreciation.

It is understood that no charge will be made with respect to the wharves, warehouses and other similar properties mentioned in the preceding Article, except for such permanent improvements on or additions to them as may have been made by Japan, during her administration of the railway, less a suitable allowance for depreciation.

ARTICLE XVI.

The Government of the Chinese Republic and the Government of Japan shall each appoint three Commissioners to form a Joint Railway Commission, with powers to appraise the actual value of the railway properties on the basis defined in the preceding article, and to arrange the transfer of the said properties.

ARTICLE XVII.

The transfer of all the railway properties under Article XIV of the present Treaty shall be completed as soon as possible, and, in any case, not later than nine months from the date of the coming into force of the present Treaty

ARTICLE XVIII.

To effect the reimbursement under Article XV of the present Treaty, China shall deliver to Japan simultaneously with the completion of the transfer of the railway properties Chinese Government Treasury Notes, secured on the properties and revenues of the railway, and running for a period of fifteen years, but redeemable, whether in whole or in part, at the option of China, at the end of five years from the date of the delivery of the said Treasury Notes, or at any time thereafter upon six months' previous notice.

ARTICLE XIX.

Pending the redemption of the said Treasury Notes under the preceding Article, the Government of the Chinese Republic will select and appoint, for so long a period as any part of the said Treasury Notes shall remain unredeemed, a Japanese subject to be Traffic Manager, and another Japanese subject to be Chief Accountant jointly with the Chinese Chief Accountant and with co-ordinate functions

These officials shall all be under the direction, control and supervision of the Chinese Managing Director, and removable for cause.

ARTICLE XX.

Financial details of a technical character relating to the said Treasury Notes, not provided for in this Section, shall be determined in common accord between the Chinese and Japanese authorities as soon as possible, and, in any case, not later than six months from the date of the coming into force of the present Treaty.

SECTION VI.—*Extensions of the Tsingtao-Tsinanfu Railway.*

ARTICLE XXI.

The concessions relating to the two extensions of the Tsingtao-Tsinanfu Railway, namely, the Tsinanfu-Shunteh and the Kaomi-Hsuchowfu lines, shall be made open to the common activity of an international financial group, on terms to be arranged between the Government of the Chinese Republic and the said group.

SECTION VII.—*Mines.*

ARTICLE XXII.

The mines of Tsechwan, Fangtze and Chinlingchen, for which the mining rights were formerly granted by China to Germany, shall be handed over to a company to be formed under a special charter of the Government of the Chinese Republic, in which the amount of Japanese capital shall not exceed that of Chinese capital.

The mode and terms of such arrangement shall be determined by the Joint Commission provided for in Article II of the present Treaty.

SECTION VIII.—*Opening of the former German Leased Territory of Kiaochow.*

ARTICLE XXIII.

The Government of Japan declares that it will not seek the establishment of an exclusive Japanese settlement, or of an international settlement, in the former German Leased Territory of Kiaochow.

The Government of the Chinese Republic, on its part, declares that the entire area of the former German Leased Territory of Kiaochow will be opened to foreign trade, and that foreign nationals will be permitted freely to reside and to carry on commerce, industry and other lawful pursuits within such area.

ARTICLE XXIV.

The Government of the Chinese Republic further declares that vested rights lawfully and equitably acquired by foreign nationals in the former German Leased Territory of Kiaochow, whether under the German régime or during the period of the Japanese administration, will be respected.

All questions relating to the status or validity of such vested rights acquired by Japanese subjects or Japanese companies shall be adjusted by the Joint Commission provided for in Article II of the present Treaty.

SECTION IX.—*Salt Industry.*

ARTICLE XXV.

Whereas the salt industry is a Government monopoly in China, it is agreed that the interests of Japanese subjects or Japanese companies actually engaged in the said industry along the coast of Kiaochow Bay shall be purchased by the Government of the Chinese Republic for fair compensation, and that the exportation to Japan of a quantity of salt produced by such industry along the said coast is to be permitted on reasonable terms.

Arrangements for the above purposes, including the transfer of the said interests to the Government of the Chinese Republic, shall be made by the Joint Commission provided for in Article II of the present Treaty. They shall be completed as soon as possible, and, in any case, not later than six months from the date of the coming into force of the present Treaty.

SECTION X.—*Submarine Cables.*

ARTICLE XXVI.

The Government of Japan declares that all the rights, title and privileges concerning the former German submarine cables between Tsingtao and Chefoo and between Tsingtao and Shanghai are vested in China, with the exception of those

portions of the said two cables which have been utilised by the Government of Japan for the laying of a cable between Tsingtao and Sasebo; it being understood that the question relating to the landing and operation at Tsingtao of the said Tsingtao-Sasebo cable shall be adjusted by the Joint Commission provided for in Article II of the present Treaty, subject to the terms of the existing contracts to which China is a party.

SECTION XI.—*Wireless Stations.*

ARTICLE XXVII.

The Government of Japan undertakes to transfer to the Government of the Chinese Republic the Japanese wireless stations at Tsingtao and Tsinanfu for fair compensation for the value of these stations, upon the withdrawal of the Japanese troops at the said two places, respectively.

Details of such transfer and compensation shall be arranged by the Joint Commission provided for in Article II of the present Treaty.

ARTICLE XXVIII.

The present Treaty (including the Annex thereto) shall be ratified, and the ratifications thereof shall be exchanged at Peking as soon as possible, and not later than four months from the date of its signature.

It shall come into force from the date of the exchange of ratifications.

In witness whereof, the respective Plenipotentiaries have signed the present Treaty in duplicate, in the English language, and have affixed thereto their seals.

Done at the City of Washington this day of February, 1922.

ANNEX.

I

Renunciation of Preferential Rights

The Government of Japan declares that it renounces all preferential rights with respect to foreign assistance in persons, capital and material stipulated in the Treaty of the 6th March, 1898, between China and Germany

II.

Transfer of Public Properties.

It is understood that public properties to be transferred to the Government of the Chinese Republic under Article V of the present Treaty include (1) all public works, such as roads, waterworks, parks, drainage and sanitary equipment, and (2) all public enterprises such as those relating to telephone, electric light, stock-yard and laundry.

The Government of the Chinese Republic declares that in the management and maintenance of public works to be so transferred to the Government of the Chinese Republic, the foreign community in the former German Leased Territory of Kiaochow shall have fair representation.

The Government of the Chinese Republic further declares that, upon taking over the telephone enterprise in the former German Leased Territory of Kiaochow, it will give due consideration to the requests from the foreign community in the said territory for such extensions and improvements in the telephone enterprise as may be reasonably required by the general interests of the public.

With respect to public enterprises relating to electric light, stock-yard and laundry, the Government of the Chinese Republic, upon taking them over, shall retransfer them to the Chinese municipal authorities of Tsingtao, which shall, in turn, cause commercial companies to be formed under Chinese laws for the management and working of the said enterprises, subject to municipal regulation and supervision.

III.

Maritime Customs at Tsingtao.

The Government of the Chinese Republic declares that it will instruct the Inspector-General of the Chinese Maritime Customs (1) to permit Japanese traders in the former German Leased Territory of Kiaochow to communicate in the Japanese language with the Custom-House of Tsingtao; and (2) to give consideration, within the limits of the established service regulations of the Chinese Maritime Customs, to the diverse needs of the trade of Tsingtao, in the selection of a suitable staff for the said Custom-House.

IV.

Tsingtao-Tsinanfu Railway.

Should the Joint Railway Commission provided for in Article XVI of the present Treaty fail to reach an agreement on any matter within its competence, the point or points at issue shall be taken up by the Government of the Chinese Republic and the Government of Japan for discussion and adjustment by means of diplomacy.

In the determination of such point or points, the Government of the Chinese Republic and the Government of Japan shall, if necessary, obtain recommendations of experts of a third Power or Powers who shall be designated in common accord between the two Governments.

V.

Chefoo-Weihsien Railway.

The Government of Japan will not claim that the option for financing the Chefoo-Weihsien Railway should be made open to the common activity of the International Financial Consortium, provided that the said railway is to be constructed with Chinese capital.

VI.

Opening of the former German Leased Territory of Kiaochow.

The Government of the Chinese Republic declares that, pending the enactment and general application of laws regulating the system of local self-government in China, the Chinese local authorities will ascertain the views of the foreign residents in the former German Leased Territory of Kiaochow in such municipal matters as may directly affect their welfare and interests.

Printed for the Cabinet. March 1922.

SECRET.

W.D.C. 225.

CABINET.

WASHINGTON CONFERENCE ON LIMITATION OF ARMAMENT.

*Copy of Despatch (No. 26) from Mr. Balfour to the Prime Minister, dated
February 5, 1922.*

(Previous Papers: Nos. W.D.C. 13, 14, 24, 47, 62, 63, 71, 95, 96, 116, 117, 123, 157,
158, 159, 183, 184, 201, 202, 206, 208, 215, 222, 223 and 224.)

Sir,

Washington, February 5, 1922.

ALMOST exactly three months have elapsed since the Washington Conference opened on the 12th November. The closing Plenary Session takes place to-morrow.

2. I have endeavoured during the progress of the Conference to keep you informed of the proceedings in regard to the Far East. I think it may be fairly claimed that the business before us has been disposed of with all expedition considering the importance and complexity of the issues.

3. Since my despatch No. 19 of the 25th January* the only questions of outstanding importance dealt with by the Committee on Pacific and Far Eastern Affairs have been Wireless in China,† the China Arms Embargo, and the Chinese Eastern Railway.‡ Each of these forms the subject of a separate despatch leaving by this bag. On no one of them has any very concrete result been reached, though as regards wireless there is reason to hope that the proceedings at Washington may have contributed to an ultimate settlement in the near future. The Arms Embargo remains for the present very much *in statu quo* with this important difference: it has been made clear to the world that it is the action of Italy and of Italy alone which is holding matters up. As to the Chinese Eastern Railway, no one can have seriously expected that a solution of this most involved question would be found at Washington. Nevertheless its discussion has been useful, for it has shown China that the eyes of the world are upon her and that her proceedings in North Manchuria are not passing unnoticed.

4. The only other matter of interest to come before the Committee was a resumption of the discussion of the so-called "Twenty-one Demands" of 1915. It will be remembered that when the Chinese Delegation first introduced this question (see my telegram No. 160 of the 14th December§) Mr. Hanihara of the Japanese Delegation cut discussion short by declaring that Japan did not regard the subject as one to be dealt with by the Conference, but rather for direct negotiations between Japan and China. There the matter rested till the 2nd February, Mr. Hughes being (quite rightly) of opinion that it should remain in abeyance until the Shantung negotiations had ended. The Shantung settlement having been duly reached, Baron Shidehara, on the 2nd February, read a careful statement to the Committee explaining the Japanese point of view. He maintained, with considerable force, that to admit that the treaties of 1915 were invalid through the mere fact of their having been signed under duress was to admit a theory most dangerous in international law and practice. But whilst this was so, Japan was ready to make certain definite modifications in those treaties. The full text of his Excellency's statement is enclosed (see B.E.D. paper 213, Enclosure 1); its main feature is the declaration that, whilst throwing open to the International Consortium any special privileges accruing to her under those treaties for railway construction in South Manchuria and Eastern Inner Mongolia, Japan also renounces any prior claim to the appointment of political, military,

* See W.D.C. 202.

† See W.D.C. 215.

‡ See W.D.C. 222.

§ See W.D.C. 74.

police or financial advisers in those regions. Finally Japan is ready to withdraw group 5 of the original demands of 1915, which had theoretically been merely postponed for later discussion.

5. Baron Shidehara's statement drew the inevitable counter-statement from the Chinese Delegation, which followed much the lines that were to be expected (see B.E.D. paper 216, Enclosure 2). Finally the matter was closed by yet a third statement by Mr. Hughes (see extract from minutes of 31st meeting of Pacific and Far Eastern Committee, Enclosure 3) in which, whilst taking formal note of the Japanese declaration, the United States Government reaffirmed their traditional policy of non-recognition of any arrangement in any way curtailing the treaty rights of their nationals, the principles of the most-favoured-nation treatment, or the integrity of China, or the policy of the Open Door.

6. The important question of Wei-Hai-Wei is one that I am dealing with separately,* but any account of the proceedings of the Committee would be incomplete were I to omit a reference to an incident which occurred towards the close of the proceedings on the 2nd February. The items on the agenda having to all appearances been disposed of, Mr. Hughes had invited any Delegation to bring forward such other subjects as they might wish to discuss. Whereupon Mr. Sze, somewhat unwisely as events showed, seized the opportunity to invite from the French Delegation some further indication of their readiness to restore Kwang-Chow-Wan in view of my announcement regarding Wei-Hai-Wei at the Plenary Session of the 1st February.† This drew from M. Sarraut a sharp rejoinder to the effect that France's offer to China was given in sufficiently precise terms in M. Viviani's declaration of the 18th November (see my telegram to the Foreign Office No. 33, Enclosure 4). This attitude on the part of the French Delegation evoked from Mr. Sze the observation that the British offer had been spontaneous, and that he still hoped that France, as much in her own interests as in those of the world in general, would see her way to restore the lease to China in the near future.

7. The one remaining matter before the Committee which I have to record is the introduction by the Japanese Delegation of an invitation to China to give greater opportunity for the opening up of her resources to increased development with foreign assistance (see B.E.D. Paper No. 200, Enclosure 5). Baron Shidehara reverted to this question on the 2nd February, and though the subject dropped without any very definite result, it afforded an opportunity to Sir A. Geddes, on behalf of the British Empire Delegation, to call the attention of the Chinese Delegation to the obligations assumed by China under article 9 of the Mackay Treaty of 1902, and their failure so far to introduce the promised mining code.

8. The various resolutions that had been passed by the Committee had meantime been cast into proper form for final presentation to the full Conference, and on the 4th February these were passed in treaty form by the Plenary Session,‡ and will be duly signed at to-morrow's final Plenary Session.

9. The labours of the Committee on Pacific and Far Eastern Affairs have thus terminated, and I think it can be fairly claimed that they have been successful. There are, it is true, indications that the Chinese are not content with what has been done at Washington, but it is difficult to see what more could have been seriously expected. The Chinese Delegation have all along shown an almost pathetic inability to face realities and to appreciate the difficulty other nations find in taking seriously the lofty professions of a Delegation which, at the moment, represents no Government worthy of the name. Yet very tangible results have in fact been achieved. In the first place, the fundamental principles of the integrity of China, of respect for Chinese sovereign rights, of the "open door" and of equal opportunity have been reaffirmed in a form sufficiently authoritative and binding to render it difficult for any of the Powers represented at the Washington Conference to disregard them in future. Further, China has definitely secured the abolition of foreign postal agencies in China, the immediate revision of her tariff to an effective 5 per cent., and the prospect of a further revision to 7½ per cent. in the near future; she has been given the opportunity to prove to a Commission of Enquiry whether or not she is yet fitted to assume any degree of jurisdiction over foreigners within her borders; and she has received back in full in Shantung, but also Wei-Hai-Wei. Whilst these are the more immediate and tangible results of the Conference, perhaps more important still is the improved

* See W.D.C. 223.

† See W.D.C. 207.

‡ See W.D.C. 217.

atmosphere in regard to Far Eastern matters which has been promoted. As I endeavoured to bring out in my speech before the Sixth Plenary Session on the 4th February,* these matters are all necessarily interdependent. The Four-Power Treaty, carrying with it the termination of the exclusive Anglo-Japanese Alliance, the Shantung settlement, the Nine-Power Treaty and the Naval Treaty—all these are parts of one connected whole. Taken together they should materially promote that stability in the Far East which, in its turn, must contribute so materially to the peace of the world.

(Signed) I am, &c.
ARTHUR JAMES BALFOUR.

Enclosure 1.

BRITISH EMPIRE DELEGATION.

CHINA'S TWENTY-ONE DEMANDS.

Statement made by Baron Shidehara at the Meeting of the Committee on Pacific and Far Eastern Questions held on Thursday, February 2, 1922.

(B.E.D. 213.)
(Confidential.)

THE following statement on the Twenty-one Demands made by Baron Shidehara at the Meeting of the Committee on Pacific and Far Eastern Questions held on Thursday, the 2nd February, 1922, is circulated for information:—

“At a previous session of this Committee, the Chinese Delegation presented a statement urging that the Sino-Japanese Treaties and Notes of 1915 be reconsidered and cancelled. The Japanese Delegation, while appreciating the difficult position of the Chinese Delegation, does not feel at liberty to concur in the procedure now resorted to by China with a view to cancellation of international engagements which she entered into as a free sovereign nation.

“It is presumed that the Chinese Delegation has no intention of calling in question the legal validity of the compacts of 1915, which were formally signed and sealed by the duly authorised representatives of the two Governments, and for which the exchange of ratifications was effected in conformity with established international usages. The insistence by China on the cancellation of those instruments would in itself indicate that she shares the view that the compacts actually remain in force and will continue to be effective, unless and until they are cancelled.

“It is evident that no nation can have given ready consent to cessions of its territorial or other rights of importance. If it should once be recognised that rights solemnly granted by treaty may be revoked at any time on the ground that they were conceded against the spontaneous will of the granter, an exceedingly dangerous precedent will be established, with far-reaching consequences upon the stability of the existing international relations in Asia, in Europe and everywhere.

“The statement of the Chinese Delegation under review declares that China accepted the Japanese demands in 1915 hoping that a day would come when she should have the opportunity of bringing them up for reconsideration and cancellation. It is, however, difficult to conceive the true significance of this assertion. It cannot be the intention of the Chinese Delegation to intimate that China may conclude a treaty with any thought of breaking it at the first opportunity.

“The Chinese Delegation maintains that the Treaties and Notes in question are derogatory to the principles adopted by the Conference with regard to China's sovereignty and independence. It has, however, been held by the Conference on more than one occasion that concessions made by China *ex contractu*, in the exercise of her own sovereign rights, cannot be regarded as inconsistent with her sovereignty and independence.

* See W.D.C. 217.

"It should also be pointed out that the term 'Twenty-one Demands,' often used to denote the Treaties and Notes of 1915, is inaccurate and grossly misleading. It may give rise to an erroneous impression that the whole original proposals of Japan had been pressed by Japan and accepted *in toto* by China. As a matter of fact, not only 'Group V,' but also several other matters contained in Japan's first proposals, were eliminated entirely or modified considerably, in deference to the wishes of the Chinese Government, when the final formula was presented to China for acceptance. Official records published by the two Governments relating to those negotiations will further show that the most important terms of the Treaties and Notes, as signed, had already been virtually agreed to by the Chinese negotiators before the delivery of the ultimatum, which then seemed to the Japanese Government the only way of bringing the protracted negotiation to a speedy close.

"The Japanese Delegation cannot bring itself to the conclusion that any useful purpose will be served by research and re-examination at this Conference of old grievances which one of the nations represented here may have against another. It will be more in line with the high aim of the Conference to look forward to the future with hope and with confidence.

"Having in view, however, the changes which have taken place in the situation since the conclusion of the Sino-Japanese Treaties and Notes of 1915, the Japanese Delegation is happy to avail itself of the present occasion to make the following declaration:—

- "1. Japan is ready to throw open to the joint activity of the international Financial Consortium recently organised the right of option granted exclusively in favour of Japanese capital with regard, first, to loans for the construction of railways in South Manchuria and Eastern Inner Mongolia, and, second, to loans to be secured on taxes in that region; it being understood that nothing in the present declaration shall be held to imply any modification or annulment of the understanding recorded in the officially announced notes and memoranda which were exchanged among the Governments of the countries represented in the Consortium, and also among the national financial groups composing the Consortium, in relation to the scope of the joint activity of that organisation.
- "2. Japan has no intention of insisting on her preferential right under the Sino-Japanese arrangements in question concerning the engagement by China of Japanese advisers or instructors on political, financial, military or police matters in South Manchuria.
- "3. Japan is further ready to withdraw the reservation which she made, in proceeding to the signature of the Sino-Japanese Treaties and Notes of 1915, to the effect that 'Group V' of the original proposals of the Japanese Government would be postponed for future negotiations.

"It would be needless to add that all matters relating to Shantung contained in those Treaties and Notes have now been definitely adjusted and disposed of.

"In coming to the decision now announced, Japan has been guided by a spirit of fairness and moderation, having always in view China's sovereign rights and the principle of equal opportunity."

*Franklin Square Hotel, Washington, D.C.,
February 2, 1922.*

Enclosure 2.

BRITISH EMPIRE DELEGATION.

Reply of Dr. Wang to the Statement of Baron Shidehara with reference to the Treaties and Agreements of May 25, 1915.

(See B.E.D. 213.)

(Confidential.)
(B.E.D. 216.)

THE Chinese Delegation has taken note of the statement of Baron Shidehara made at yesterday's session of the Committee with reference to the Sino-Japanese Treaties and Notes of the 25th May, 1915.

The Chinese Delegation learns with satisfaction that Japan is now ready to throw open to the joint activity of the banking interests of other Powers the right of option granted exclusively in favour of Japanese capital with regard, first, to loans for the construction of railways in South Manchuria and Eastern Inner Mongolia, and second, to loans secured on taxes in that region; and that Japan has no intention of insisting upon a preferential right concerning the engagement by China of Japanese advisers or instructors on political, financial, military or police matters in South Manchuria; also that Japan now withdraws the reservation which she made to the effect that Group V of her original demands upon China should be postponed for future negotiation.

The Chinese Delegation greatly regrets that the Government of Japan should not have been led to renounce the other claims predicated upon the Treaties and Notes of 1915.

The Japanese Delegation expressed the opinion that abrogation of these agreements would constitute "an exceedingly dangerous precedent, with far-reaching consequences upon the stability of the existing international relations in Asia, Europe and everywhere."

The Chinese Delegation has the honour to say that a still more dangerous precedent will be established, with consequences upon the stability of international relations which cannot be estimated, if, without rebuke or protest from other Powers, one nation can obtain from a friendly but, in a military sense, weaker neighbour, and under circumstances such as attended the negotiations and signing of the Treaties of 1915, valuable concessions which were not in satisfaction of pending controversies, and for which no *quid pro quo* was offered. These Treaties and Notes stand out, indeed, unique in the annals of international relations. History records scarcely another instance in which demands of such a serious character as those which Japan presented to China in 1915 have, without even pretence of provocation, been suddenly presented by one nation to another nation with which it was at the time in friendly relations.

No apprehension need be entertained that the abrogation of the agreements of 1915 will serve as a precedent for the annulment of other agreements, since it is confidently hoped that the future will furnish no such similar occurrence.

So exceptional were the conditions under which the agreements of 1915 were negotiated, the Government of the United States felt justified in referring to them in the identic note of the 13th May, 1915, which it sent to the Chinese and Japanese Governments. That note began with the statement that "in view of the circumstances which have taken place and which are now pending between the Government of China and the Government of Japan, and of the agreements which have been reached as the result thereof, the Government of the United States has the honour to notify the Government of the Chinese Republic (Japan) that it cannot recognise any agreement or undertaking which has been entered into between the Governments of China and Japan impairing the treaty rights of the United States and its citizens in China, the political or territorial integrity of the Republic of China or the international policy relative to China commonly known as the Open-Door Policy."

Conscious of her obligations to the other Powers, the Chinese Government, immediately after signing the agreements, published a formal statement protesting against the agreements which she had been compelled to sign, and disclaiming responsibility for consequent violations of treaty rights of the other Powers. In the statement thus issued the Chinese Government declared that although they were "constrained to comply in full with the terms of the (Japanese) ultimatum," they nevertheless "disclaim any desire to associate themselves with any revision which may be thus effected of the various conventions and agreements concluded between the other Powers in respect of the maintenance of China's territorial independence and integrity, the preservation of the *status quo* and the principle of equal opportunity for the commerce and industry of all nations in China."

Because of the essential injustice of these provisions, the Chinese Delegation, acting in behalf of the Chinese Government and of the Chinese people, has felt itself in duty bound to present to this Conference, representing the Powers with substantial interests in the Far East, the question as to the equity and justice of these agreements and, therefore, as to their fundamental validity.

If Japan is disposed to rely solely upon a claim as to the technical or juristic validity of the agreements of 1915, as having been actually signed in due form by the two Governments, it may be said that, so far as this Conference is concerned,

the contention is largely irrelevant, for this gathering of the representatives of the nine Powers has not had for its purpose the maintenance of the legal *status quo*. Upon the contrary, the purpose has been, if possible, to bring about such changes in existing conditions upon the Pacific and in the Far East as might be expected to promote that enduring friendship among the nations of which the President of the United States spoke in his letter of invitation to the Powers to participate in this Conference.

For the following reasons, therefore, the Chinese Delegation is of the opinion that the Sino-Japanese Treaties and Exchange of Notes of the 25th May, 1915, should form the subject of impartial examination with a view to their abrogation:—

1. In exchange for the concessions demanded of China Japan offered no *quid pro quo*. The benefits derived from the agreements were wholly unilateral.
2. The agreements in important respects are in violation of treaties between China and the other Powers.
3. The agreements are inconsistent with the principles relating to China which have been adopted by the Conference.
4. The agreements have engendered constant misunderstandings between China and Japan, and, if not abrogated, will necessarily tend, in the future, to disturb friendly relations between the two countries, and will thus constitute an obstacle in the way of realising the purpose for the attainment of which this Conference was convened. - As to this the Chinese Delegation, by way of conclusion, can, perhaps, do no better than quote from a Resolution introduced in the Japanese Parliament in June 1915, by Mr. Hara, later Premier of Japan, a resolution which received the support of some 130 of the members of the Parliament.

The resolution reads:—

“Resolved, that the negotiations carried on with China by the present Government have been inappropriate in every respect; that they are detrimental to the amicable relationship between the two countries, and provocative of suspicions on the part of the Powers; that they have the effect of lowering the prestige of the Japanese Empire; and that, while far from capable of establishing the foundation of peace in the Far East, they will form the source of future trouble.”

The foregoing declaration has been made in order that the Chinese Government may have upon record the view which it takes, and will continue to take, regarding the Sino-Japanese Treaties and Exchange of Notes of the 25th May, 1915.

Franklin Square Hotel, Washington, D.C.
February 3, 1922.

Enclosure 3.

Thirty-First Meeting of the Committee on Pacific and Far Eastern Questions, held in the Columbus Room, Pan-American Building, Friday, February 3, 1922, 3 P.M.

(Strictly Confidential.)

Present :

United States

Mr. Hughes.
Senator Lodge.
Mr. Root.
Senator Underwood.
Accompanied by—
Mr. Wright.
Mr. MacMurray.
Mr. Poole.
Mr. Williams.

Belgium.

Baron de Cartier.
Accompanied by—
M. de Warzee.
M. Silvercruys.

British Empire.

Mr. Balfour.
Lord Lee.
Sir Auckland Geddes.
For Australia—
Senator Pearce:
Accompanied by—
Mr. Christie.
Sir H. L. Smith.
Mr. Lampson.
Mr. Bajpai.
Mr. Malkin.

China.

Mr. Sze.
Mr. Koo.
Mr. Wang.
Accompanied by—
Dr. Hawking Yen.
Mr. M. T. Z. Tyau.
Mr. C. Zee.
Mr. King.
Mr. Kwang-Ou.

France.

M. Sarraut.
M. Jusserand.
Accompanied by—
M. Kammerer.
M. Ponsot.

Italy.

Senator Schanzer.
Senator Rolandi Ricci.
Senator Albertini.
Accompanied by—
Marquis Visconti Venosta.
Count Pagliano.
M. Bruno Averadi.

Japan.

Admiral Baron Kato.
Mr. Hanihara.
Baron Shidehara.
Accompanied by—
Mr. Saburi.
Mr. Kimura.
Mr. Tomita.
Mr. Sakau.

The Netherlands

Jonkheer Beelaerts van Blokland.
Jonkheer de Beaufort.
Accompanied by—
Jonkheer van Starckenborgh.

Portugal.

Viscount d'Alte.
Captain Vasconcellos.

The Secretary-General, accompanied by Mr. Pierrepont and Mr. Osborn.
Interpreters, M. Camerlynck and M. Talamon.

(Extract.)

* * * * *

The Chairman said that the important statement made by Baron Shidehara on behalf of the Japanese Government made it appropriate that he (the Chairman) should refer to the position of the Government of the United States, as it was set forth in identical notes addressed by that Government to the Chinese Government and to the Japanese Government on the 13th May, 1915. The note to the Chinese Government had read as follows:—

“In view of the circumstances of the negotiations which have taken place and which are now pending between the Government of China and the Government of Japan and of the agreements which have been reached as a result thereof, the Government of the United States has the honour to

notify the Government of the Chinese Republic that it cannot recognise any agreement or undertaking which has been entered into or which may be entered into between the Governments of Japan and China impairing the treaty rights of the United States and its citizens in China, the political or territorial integrity of the Republic of China, or the international policy relative to China commonly known as the Open-Door Policy.

"An identical note has been transmitted to the Imperial Japanese Government."

That statement, the Chairman stated, was in accord with the historic policy of the United States in its relation to China, and its position, as thus stated, had been, and still was, consistently maintained.

It had been gratifying to learn that the matters concerning Shantung, which formed the substance of Group I of the original demands, and were the subject of the Treaty and Exchange of Notes with respect to the Province of Shantung, had been settled to the mutual satisfaction of the two parties by negotiations conducted collaterally with the Conference, as reported to the Plenary Session on the 1st February.

It was also gratifying to be advised, by the statement made by Baron Shidehara on behalf of the Japanese Government, that Japan was now ready to withdraw the reservation which she had made, in proceeding to the signature of the Treaties and Notes of 1915, to the effect that Group V of the original proposals of the Japanese Government—namely, those concerning the employment of influential Japanese as political, financial and military advisers; land for schools and hospitals; certain railways in South China; the supply of arms, and the right of preaching—would be postponed for future negotiations. This definite withdrawal of the outstanding questions under Group V removed what had been occasion for considerable apprehension on the part alike of China and of foreign nations which felt that the renewal of these demands could not but prejudice the principles of the integrity of China and of the Open Door.

With respect to the Treaty and the Notes concerning South Manchuria and Eastern Inner Mongolia, Baron Shidehara had made the reassuring statement that Japan had no intention of insisting on a preferential right concerning the engagement by China of Japanese advisers or instructors on political, financial, military or police matters in South Manchuria.

Baron Shidehara had likewise indicated the readiness of Japan not to insist upon the right of option granted exclusively in favour of Japanese capital with regard, first, to loans for the construction of railways in South Manchuria and Eastern Inner Mongolia; and, second, with regard to loans secured on the taxes of those regions; but that Japan would throw them open to the joint activity of the international financial Consortium recently organised.

In regard to this, he might say that it was doubtless the fact that any enterprise of the character contemplated, which might be undertaken in these regions by foreign capital, would in all probability be undertaken by the Consortium. But it should be observed that existing Treaties would leave the opportunity for such enterprises open on terms of equality to the citizens of all nations. It could hardly be assumed that this general right of the Treaty Powers in China could be effectively restricted to the nationals of those countries which were participants in the work of the Consortium, or that any of the Governments which had taken part in the organisation of the Consortium would feel themselves to be in a position to deny all rights in the matter to any save the members of their respective national groups in that organisation. He therefore trusted that it was in this sense that the Committee might properly interpret the Japanese Government's declaration of willingness to relinquish its claim under the 1915 Treaties to any exclusive position with respect to railway construction and to financial operations secured upon local revenues, in South Manchuria and Eastern Inner Mongolia.

It was further to be pointed out that by Articles 2, 3 and 4 of the Treaty of the 25th May, 1915, with respect to South Manchuria and Eastern Inner Mongolia, the Chinese Government granted to Japanese subjects the right to lease land for building purposes, for trade and manufacture, and for agricultural purposes in South Manchuria, to reside and travel in South Manchuria, and to engage in any kind of business and manufacture there, and to enter into joint undertakings with Chinese citizens in agriculture and similar industries in Eastern Inner Mongolia.

With respect to this grant, the Government of the United States would, of course, regard it as not intended to be exclusive, and, as in the past, would claim from the Chinese Government for American citizens the benefits accruing to them by virtue of the most-favoured-nation clauses in the Treaties between the United States and China.

The Chairman said he might pause at this point to remark that the question of the validity of the Treaties as between Japan and China was distinct from the question of the treaty rights of the United States under its Treaties with China; these rights had been emphasised and consistently asserted by the United States.

In this, as in all matters similarly affecting the general right of its citizens to engage in commercial and industrial enterprises in China, it had been the traditional policy of the American Government to insist upon the doctrine of equality for the nationals of all countries, and this policy, together with the other policies mentioned in the note of the 13th May, 1915, which he had quoted, were being consistently maintained by this Government. He might say that it was with especial pleasure that the Government of the United States found itself now engaged in the act of reaffirming and defining, and he hoped that he might add revitalising, by the proposed Nine-Power Treaty these policies with respect to China.

The Chairman asked whether any further discussion of these matters was desired. There being no further discussion, the Chairman said that it would be in order to propose that the statements made by Baron Shidehara, by Chief Justice Wang, and by himself should be reported to the Plenary Session and spread upon the records of the Conference.

Mr. Koo stated that his colleagues and he himself desired to endorse the Chairman's suggestion that all of the statements on this very important question should be spread upon the records of the Conference, it being understood, of course, that the Chinese Delegation reserved their right to seek a solution on all future appropriate occasions concerning those portions of the Treaties and Notes of 1915 which did not appear to have been expressly relinquished by the Japanese Government.

The Chairman said that it was of course understood that the rights of all Powers were reserved with respect to the matters mentioned by *Mr. Koo*.

The Chairman asked if the Committee was ready to act upon his suggestion that the statements of Baron Shidehara, of Dr. Wang, and of himself should be reported to the Plenary Session and spread upon the records. He added that the United States of America assented. The other Delegations, being polled, each voted affirmatively, and the Chairman declared that it was so ordered.

Upon the suggestion of *Mr. Sze* a vote was taken in regard to reporting *Mr. Koo's* statement to the Plenary Session and spreading it on the record. Each Delegation voted affirmative, and *the Chairman* announced that it was so ordered.

* * * * *

Enclosure 4.

Mr. Balfour to the Marquess Curzon of Kedleston.

(No. 33.)

(Telegraphic.)

November 18, 1921.

SINCE despatch of my No. 28 French Colonial Minister is reported to have informed press that France will give up Kwang-Chow-Wan provided Great Britain gives up Wei-Hai-Wei and Japan Shantung.

Enclosure 5.

BRITISH EMPIRE DELEGATION.

CHINA: THE OPEN DOOR.

Declaration by the Japanese Representative, Baron Shidehara, at Meeting of Committee on Pacific and Far Eastern Questions on January 18, 1922.

(B.E.D. 200.)
(Confidential.)

THE Japanese Delegation understands that one of the primary objects which the present Conference on Far Eastern Questions has in view is to promote the general welfare of the Chinese people and at the same time of all nations interested in China. For the realisation of that desirable end nothing is of greater importance than the development and utilisation of the unlimited natural resources of China.

It is agreed on all sides that China is a country with immense potentialities. She is richly endowed by nature with arable soil, with mines and with raw materials of various kinds, but those natural resources are of little practical value so long as they remain undeveloped and unutilised. In order to make full use of them, it seems essential that China shall open her own door to foreign capital and to foreign trade and enterprise.

Touching on this subject, Dr. Sze, on behalf of the Chinese Delegation, made an important statement at the Full Committee on the 16th November declaring that "China wishes to make her vast natural resources available to all people who need them." That statement evidently represents the wisdom and foresight of China, and the Japanese Delegation is confident that the principle which it enunciated will be carried out to its full extent.

It is to be hoped that in the application of that principle China may be disposed to extend to foreigners, as far as possible, the opportunity of co-operation in the development and utilisation of China's natural resources.

Any spontaneous declaration by China of her policy in that direction will be received with much gratification by Japan and also no doubt by all other nations interested in China. Resolutions which have hitherto been adopted by this Committee have been uniformly guided by the spirit of self-denial and self-sacrifice on the part of foreign Powers in favour of China. The Japanese Delegation trusts that China on her part will not be unwilling to formulate a policy which will prove of considerable benefit no less to China herself than to all nations.

*Franklin Square Hotel, Washington, D.C.,
January 26, 1922.*

Printed for the Cabinet. March 1922.

SECRET.

W.D.C.-226

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CABINET.

WASHINGTON CONFERENCE ON LIMITATION OF ARMAMENT.

Copy of Despatch (No. 27) from Mr. Balfour to the Prime Minister, dated February 6, 1922.

(Previous Papers : Nos. W.D.C.-13, 14, 24, 47, 62, 63, 71, 95, 96, 116, 117, 123, 157, 158, 159, 183, 184, 201, 202, 206, 208, 215, 222, 223, 224 and 225.)

Sir,

Washington, February 6, 1922.

I HAVE the honour to inform you that the final session of the Washington Conference took place this morning. It concluded with an impressive address of farewell from the President of the United States after the signature by the Delegates of the Nine-Power Treaty in regard to China, the Treaty embodying resolutions in regard to Poison Gas and Submarines, the Treaty on Chinese Tariffs and the Supplementary Treaty to the Quadruple Pact which had already been signed. To this list should be added the Shantung Treaty between China and Japan, the signature of which took place on Saturday afternoon, the 4th instant, in the presence (by special request) of Mr. Hughes and myself. With these transactions my mission to the Washington Conference has reached its conclusion.

In my despatch No. 1 of the 11th November, 1921,* written on the day preceding the opening of the Conference, I endeavoured to summarise the aims of the British Empire Delegation. These related in part to the limitation of Naval Armaments, in part to the settlement of certain political problems relating to China and the Pacific, without which no limitation of armaments could prove satisfactory or durable. Chief among these must be counted the problems raised by the Anglo-Japanese Alliance. This, which was originally designed to secure stability in the East had, with changing circumstances, lost its value for that purpose; and being out of relation to the existing condition of affairs had become the cause of misunderstanding rather than a guarantee of peace. I suggested the advisability of substituting for it a Tri-Partite Agreement between the three great Naval Powers interested in the Pacific, namely, the United States, Japan and the British Empire. In the same despatch I pointed out that there were a number of problems relating to China which must be solved if our labours for the limitation of armaments were to produce an enduring result—making particular mention of the controversy relating to the Province of Shantung. The Treaties I have enumerated above achieve all these results.

It may be worth observing that if the Secret Memorandum submitted to the Cabinet by the Standing Committee of the Committee of Imperial Defence No. 230-B. be compared with the Naval Treaty it will be found that in all essentials the safeguards of our Naval position therein enumerated have been fully secured. Nor has this result been achieved at the cost of any other nation. The financial burdens of the great Naval Powers have been alleviated with no injury to national honour or diminution of security.

For the Tri-Partite arrangement contemplated in my despatch No. 1, a Quadruple Treaty including France has been substituted. But this involves no change in policy but merely adds to the three signatories originally contemplated the only other great Naval Power owning insular possessions in the Pacific. Of the Nine-Power Treaty and the Treaty relating to Shantung between China and Japan, it is only necessary to say that they are, to the best of my belief, in complete harmony with the general policy of His Majesty's Government, set forth in memoranda prepared by the Foreign Office and will provide the foundation of a solid and enduring peace in the regions of the Pacific and the Far East.

* See W.D.C.-13.

The labours of the Conference have been long and arduous. That they should have issued in these happy results is due to many co-operating causes. Its inauguration by the President in a speech worthy of the great occasion, the tact, ability and fairness displayed by the Chairman, Mr. Hughes, the moderation shown by the various Delegations and their evident desire to reach a fair and satisfactory settlement, were contributory causes of the utmost value. Yet all these together might have failed of their effect had it not been for the bold statement in regard to the limitation of Naval Armament announced by the Chairman at the very first meeting. This was conceived in a spirit of high statesmanship which raised the whole level of our debates. In no other way would it have been possible, in my judgment, to have discussed the endless technical details of the Naval Agreement without being lost in a morass of petty disputations. By no other approach could we have reached the self-denying policy with regard to Naval bases in the Pacific which provides one of the great securities for Naval peace in that vast area.

By their initial announcement the American Government set a great example. The British Empire Delegation has from first to last endeavoured to follow it. If they have not been unsuccessful it is because throughout they have been animated by a spirit of the closest co-operation and complete mutual confidence. At their official meetings (which have been no less than twenty-five in number) all the principal subjects before the Conference have been fully discussed, and these gatherings have been supplemented by innumerable consultations of a less formal character. What is thus true of the heads of the British, Canadian, Australian, New Zealand and Indian Delegations is no less true of their various secretariats. Constant and friendly interchange of ideas rendered the working of the whole machine smooth and effective, while nothing could exceed the zeal, the ability and the self-sacrificing industry with which all the various staffs belonging to the Delegations carried out their work. Where all have done their duty to my entire satisfaction it would be invidious to distinguish between the work of individuals. It is perhaps, however, only fair to say that the heaviest work fell upon Admiral Sir Ernle Chatfield in connection with Naval limitation of armament; on Mr. Miles Lampson of the Foreign Office in connection with China and Far Eastern questions; and, in connection with economic questions relating to the Far East, on Sir Hubert Llewellyn Smith, Chief Economic Adviser to His Majesty's Government. I would also specially mention the invaluable work of the Right Honourable Sir John Jordan, who voluntarily emerged from his retirement in order to place his unique experience at the disposal of the Delegation. Mr. Malkin, the legal adviser to the Delegation, has represented me on the drafting and legal Committee with his usual success. The work of the Publicity Officer, Sir Arthur Willert, has been very continuous and is highly appreciated. While my obligation to Mr. Maurice Peterson of the Embassy, who acted throughout as my private secretary, cannot easily be over-estimated. The whole staff indeed showed not merely individual competence and zeal, but a capacity for co-operative effort which is beyond all praise.

To one other name I must make special reference. Sir Maurice Hankey was not only responsible for originally making the arrangements for the British Delegation, but was most intimately concerned in every phase of its work up to its penultimate stage. His services were invaluable. His great organising power, his unique experience of international conferences and the intimate knowledge of relevant facts which he owes to his position as Secretary of the Cabinet and of the Committee of Imperial Defence, gave him qualifications for public service which he used to the very utmost. Every member of the British Empire Delegation owes him a debt of gratitude, and the debt of none is so great as my own.

I may add that members of delegations other than that of the British Empire were sometimes glad to avail themselves of his services, which were always at their disposal.

When Sir Maurice was recalled to England by the pressure of other duties his place was taken by Mr. Christie, secretary of the Canadian Delegation. Mr. Christie has had experience in International work at Paris and Geneva, and he was on the staff of the Canadian Prime Minister at the meetings of the Imperial Cabinet last summer. He has turned the knowledge thus acquired to its best possible account, and I attach the utmost value to his services.

I am, &c.

ARTHUR JAMES BALFOUR.

Chapter II.

India's Position In the Empire.

"Every nation must have the choice of its own destiny and not be cut and carved to please the great powers."

General Smuts.

(At a meeting of the League of Nations 'Society', May 14, 1917)

The story of the struggle of the colonies for more than half a century reveals their desire for freedom to regulate their economic conditions and their political relations with the United Kingdom as well as with outside nations. The former comprises problems of immigration and tariffs between the various parts of the Empire as well as between the Empire and the outside world, while the latter relates to the establishment of a position of equality with the United Kingdom in the administration of Imperial affairs. The settlement of all these problems has, in the past been reached more or less by judging conditions from the standpoint of the white races of the Empire and of the United Kingdom, much to the detriment of the interests of India which, as a dependancy upto now, has been obliged to rest contented with decisions in the shaping of which she has been denied all part or share.

I m m i g r a t i o n .

The first of these problems immigration. The Indian view of the subject is that the full rights of citizenship of the -- British Empire include the right to settle in any part of that Empire, irrespective of the existence of local legislation --- barring or limiting access. The government of India have long and consistently contented for the principle of free immigration between all parts of the Empire, but without any appreciable -- results. The self-governing dominions have their own legislatures which, under their constitutions, are entitled to regulate their own internal affairs. The control of immigration ~~is~~ which is - contented on behalf of the dominions is primarily an internal question and each self-governing community is entitled to decide the material which should form its citizens. The right of free movement within the Empire is therefore conditioned by the exercise of the undoubted powers of local legislatures to restrict emigration. Legislation on the subject of emigration from colonies became more and more drastic in proportion to the strength of the agitation for the removal of disabilities.

LORD HARDINGE.

In reviewing the situation in 1914, Lord Hardinge stated that the colonies naturally placed above all other conditions the interests of their own country as they understand them, just as we in India should put the good of India in front of our motives for legislation. He repudiated the idea that the colonial governments in formulating their measures of exclusion, are actuated by feelings of animosity towards Indians and ~~he~~ suggested that they are by no means unmindful of the possible affect of their action on the government and the people of this country. They are quite willing to consider the Indian requirements once they are satisfied that the interests of their own country are adequately secured.

The Imperial War Conference has afforded opportunities to the Dominion~~s~~ representatives to understand better the case for India. The utterance of sir Robert Borden in the Canadian ---- Parliament is a notable one. He said, "I found it of very great "advantage in discussing matters of common concern to India and "ourselves that we had the representatives of India at the --- "conference I invited the members of the conference to meet -- "informally at the hotel at which I was staying, and we had a free,

"full and frank discussions of the whole situation. It is so
far as the dominions are concerned India has had matters of difference,
matters sometimes of controversy with South Africa, ---
perhaps also with Australia and New Zealand and on some occasion
with Canada. Sir Satyendra Sinha stated the case from the Indian
standpoint with great ability, fairness, conspicuous moderation
and very deep feeling. His address to us was not the less --
impressive because it was so fair and so moderate. On our part
we spoke with equal freedom, equal frankness, and I hope with
equal moderation. The net result was the resolution which we
arrived at and which I have read. Its basis is that the self-respect
of India shall be maintained by an arrangement that whatever -
measures we enforce in regard to the emigration or the visits
of Indians to Canada shall also prevail with regard to the ---
emigration or visits of Canadians to India. I do not think that
any one in this House can dispute the fairness of that proposal.
Upon
~~upon~~ certain other matters which we discussed need not dwell
to-day. I see nothing but good in the presence of India at
that conference, and I believe that there will be no objection
in this House or in the country to having the great dependency
of the Empire represented at future meetings, India has been
splendidly loyal in this war and has contributed of her manhood

"and of her treasure for the purpose of enabling us to win it.
"We must take that all into account. Her civilisation is diffe-
"rent from ours. It is more ancient in some respects it may be
"it may be said to be on a higher plane. There is more of idealism
"in their civilisation, more perhaps of materialism in ours. I
"am not disposed to discuss the question as to whether one or the
"other is superior, but I do say that the Indian civilisation
"is entitled to our respect, and that we must do our part in
"making the inhabitants of that great dependency of the Empire
"feel that they are not treated with contumely or injustice by
"the people of any of the dominions. I believe that the purpose
"will be carried out. I believe it will be materially assisted
"by the conference which we had with the Indian representatives."

The Indian Memorandum.

The memorandum on immigration from India to the dominions presented to the last Imperial Conference by the Indian representatives contains a review of the restrictions imposed on each dominions and puts the Indian point of view as follows:-

"Indians in their outlook upon the Empire are at present powerfully swayed by two ideas. They are proud of the fact that they are British subjects and that their country is an integral

portion of the Empire and they wish to claim their Imperial ---
privileges. They are ^{at} ~~not~~ the same time proud of their Indian
nationality, ancient civilization and great intellectual tradi-
tions which they have inherited. They have made sacrifices for
the Empire and have proved their loyalty, courage and fortitude
and ask that this should be recognised. Thus sentiment and --
imagination enter largely into the controversy. If the Dominions
would meet feelings of this order, they would probably find that
India ~~should~~ would not be unreasonable on material points." The
principle of reciprocity of treatment has now been accepted by the
Conference and commended to the Governments of the dominions.
It is suggested that the facilities for settlement accorded to
the Indians should not be less advantageous than those allowed to
the subjects of other Asiatic Nations;" secondly that facilities
should be accorded to the educated Indians visiting the colonies
for travel and study as apart from settlement; and thirdly that
Indians who have already been permitted to settle in the self-
governing dominions should receive a more sympathetic treatment.
These recommendations, though they mark an advance on the existin
position, do not really place us in terms of equality with the
colonial governments. Reciprocity is a wide term and it remains
to be seen how this will work in practice. Mr. H. S. Polak, a

considerable authority on colonial questions and to whose efforts in the cause of Indian emigrants, we owe a debt of gratitude, has, in a recent article in the Indian Review, indicated many difficulties. On the first question the racial discrimination is still clearly maintained and the memorandum recommends that Asiatics of British nationality should at least not be less favourably --- treated than other Asiatics. Mr. Polak therefore raises a --- pertinent question whether the government of India will claim that Indian businessmen should be granted the same facilities of --- landing at South African ports and carry on their businesses as are apparently being granted to Japanese traders. He states the further position as follows:-

"And if they do make claim, are the Union government at all likely to admit it? The extension of Japanese trade in South Africa, since the war, has been enormous, and no one acquainted with Japanese commercial methods would, for a moment, suppose that it has been created by the European agency. A few weeks ago, two Indian graduates from Cambridge were refused permission to land at Cape Town, whilst permission was freely granted to European and Japanese passengers; these last were, presumably, not desirous of landing for the good of their health. But it is idle to expect the Indian or the Imperial authorities to insist upon better terms

for British Asiatics, within the British Empire than are accorded to Alien Asiatics. In the territories of Zanzibar and East Africa which are directly under the control of the British government, and where Portuguese Asiatics are allowed to land where British Asiatics are refused. Of course, in times of war, all kinds of restrictions may be deemed to be necessary, but that does not explain why a Portuguese Asiatic may be allowed to land on British soil, where permission is refused to an Asiatic of British origin, who has, of course, no consul to whom to appeal."

Without raising the question of unrestricted immigration the true position, ~~in his opinion~~, is the establishment of preferential treatment to British Asiatics within the Empire.

Reciprocity.

In this view of the situation most people of this country would agree. Mr. Polak has also set out very fully the ~~logical~~ logical consequences of reciprocity of treatment. He has pointed out the outstanding grievances of the Indians in the different provinces of the South African Union are of a fundamental and of a legislative character. They include the still existing location by laws which require Indians to reside in certain circumstances in a location, the refusal to issue new trading licenses

to Indians by Municipalities in South Africa, the refusal of right to own fixed property in the Transval, the deprivation of the Municipal vote and right of the Indians to be represented upon a Municipal Council by members of their own community. These and other acts of the colonial governments can only be undone by the introduction of appropriate legislation in the colonies. A reciprocity of treatment without the removal of these disabilities would merely lead to the admission of a certain number of Asiatics into the colonies with a corresponding obligation to receive an equal of colonial emigrants into India. In the one case they are subjected to most irritating racial restrictions in the colonies and also restrictions on trade and on the exercise of the rights of citizenship; while the colonial emigrants are not -- subjected to this harsh treatment in this country. Unless the parties are placed exactly in the same position reciprocity will secure no advantage and the bargain of a one sided nature and Indian emigration to the self-governing colonies with the existing restrictions will never be welcomes in this country.

THE CROWN COLONIES.

The resolution of the Imperial War conference recommends the principle of reciprocity only between India and the self-

self-governing dominions. The position of India in Crown Colonies was not within the purview of the Conferance. Indians in these colonies are subjected to a good many of the same restrictions that are in force in the self-governing dominions. The recent Conference held in London on Indian emigration, was wholly as an official body, and none of these appear to have been considered. There were no representatives from India, no witnesses either Indians or Colonial were called, no public -- opinion was invited, no programe and no agenda on the subjects to be discussed were furnished for public discussion. Nevertheless it is a matter for great satisfaction that as a result of this Conference. Indentured emigration has been completely stopped. The conference has no doubt formulated many necessary provisions for affording reasonable fecilities for Indian colonization in the Crown Colonies. But apart from these there are many questions of status.

COMMERCIAL RECIPROCITY.

Then there is the whole group of questions relating to the fiscal and economic systems of the various states in the Empire which are now under consideration. This is a time of universal reconstruction and Indian public opinion has not -- been as yet directed to the serious study of these vital problems. Her own somewhat subordinate position till very recent-

recently in the hegemony of the Empire was hinderance to her self assertion.

While the problem of immigration was largely viewed from the standpoint of the white races of the Empire, the problem of Tariffs has been looked at largely from the point of view of the United Kingdom and like disabilities have been imposed on the commercial and economic development of India and the Colonies.

The economic rivalries between the United Kingdom and the colonies is not of recent growth. So early as in 1872 when the colonies and outlying dominions were still considered a burden and an encumbrance to the Empire, Lord Beaconsfield urged that concessions of self-government to the latter should be accompanied by certain elements of Imperial consolidation of which 'Imperial Tariffs' was indicated as one. The colonial conference held in 1887 and 1897 urged the principle of preferential tariffs and trading notwithstanding the existance of treaties which prevented Great Britain and the colonies from entering into agreements of Commercial reciprocity. The next conference in 1902 reaffirmed the principle of preferential trade and Joseph Chamberlain actually resigned his place in the Government of the limited Kingdom on a question of the repeal of corn duty upon imports from outside the Empire as against a

promise by the Cabinet of the day in favour of Canadian Corn.

In the following year he became a convert to the policy of Imperial Reciprocity as the only practicable way to the -- Imperial consolidation. The Conference of 1907 discussed again at some length the principles of reciprocity but the Imperial Government stated quite clearly that it was opposed to any -- scheme of preference and the question was not much discussed.

At the Imperial Conference held in 1911 the Conference again adopted a resolution in favour of the appointment of a Royal Commission representing the United Kingdom, Canada, Australia, New Zealand, South Africa and New Foundland "with a view of investigating and reporting upon the natural resources of each part of the Empire represented at the conference, the development attainable and the facilities for production, manufacture and distribution; the trade of each part with the others and with the outside world the food and raw material requirements of each and the sources thereof available, to what extent, if any, the trade between each of the different parts has been affected by the existing legislation in each, either beneficially or otherwise, and what method consistent with the existing fixed policy of each part the trade of each part with the others may be improved and extended!" This very comprehensive inquiry into the whole subject of trade and com-

commerce between the colonies and the United Kingdom and the outside world has since ~~ka~~ been undertaken by a Royal Commission and its report has been published a few months ago. India was not also represented on this commission but its recommendations include a variety of matters in which they had to consider the position of this country. The fact is that with the exception of the United Kingdom, India is by far the most important constituent state of the Empire and it is impossible to formulate any proposals, economic, industrial or fiscal -- affecting the whole Empire leaving India out of consideration. Up to the present moment India has had to abide by whatever tariffs and customs suited the self interest of the United --- Kingdom which, in the one instance of cotton duties, paid till recently more heed to the well being of Lancashire than the -- prosperity of India. India's economic conditions as an agricultural country have been confounded with the wholly with different industrial conditions of Great Britain and her right to separate treatment in regard to tariffs in support of her infant industries has been till now disregarded.

EXISTING FISCAL SYSTEM.

India at present possesses what is called a free trade tariff and the existing fiscal system under free trade criticised in this country for ~~the~~ years. as the l

on Indian Manufactured cotton which has been imposed in the interests of English manufactures for over forty years has been recently removed. Sir Valentine Chirol said some years ago that "No measure has done greater injury to the cause of free trade in India or more permanent discredit to British rule than the excise duty on the Indian manufacture in cotton or none has done more to undermine the Indian faith in principles of justice upon which British rule claims, and on the whole legitimately claims, to be based." The late Romesh Chander Dutt was a resolute Indian protectionist and was wholly opposed not only to free trade but also to Imperial preference within the Empire. He demanded absolute protection against British goods as well as foreign and denounced the cotton excise duties as unknown in any other country in the world. It is not necessary to dilate further on the present fiscal system of free trade in India. The critics of the present fiscal policy come under two categories (1) The advocate of complete protection for India against British and foreign goods alike and (2) the advocates of Imperial preference for India with a moderate degree of protection against the protected countries outside the British Empire. Almost every known Indian politician economist and publicist in India belongs to the Indian protectionist party. A large number of English Liberal politicians of considerable prominence on Indian questions such as the late Sir

Henry Cotton, the late Mr. Dadabai Nourojee, Sir William Wedderburn and practically all the members of the Parliament who were members of the Indian Parliamentary Committee organised by Sir Henry Cotton were all committed to a policy of protection for Industries. On the other side there are in the United --- Kingdom a number of advocates of Imperial preferences for India. The Hon'ble Sir Gangadhar Chitnavis moved a resolution in the Imperial Legislative Council in 1913 recommending a -- system of preferential tariffs with the United Kingdom and the Colonies. "A customs Union with the Colonies" Sir Gangadhar Chitnavis declared "will gradually secure for India a better and more dignified position than we now have."

The motion was eventually withdrawn after a discussion in the council of the respective merits of free trade, protection and preference. India has therefore not committed itself as yet to a policy of Imperial preference and the Indian National Congress has on the country adopted a resolution in 1915 demanding that in the best interests of the people of India it is necessary that a complete fiscal freedom should be conceded to the Government of India. Sir Roper Lethbridge and other advocates of preference hope that the inclusion of India within the Empire system of preferential tariffs offers to this ~~country~~ country the only possible chance of obtaining better terms from

the various protectionist countries of the world who are year by year raising higher and higher their tariff walls. This benefit is more a potential one for at present Indian exports mostly consist of food and raw materials which are keenly --- sought after by all the industrial countries of the world than of manufactured goods.

RECENT ECONOMIC ENQUIRIES

The Paris Economic Conference was summoned by Great Britain and her allies for the discussion of questions relating to trade and commerce and for regulating the future commercial treaties with allied and neutral countries. Another important Committee composed of businessmen and a few politicians presided over by Lord Balfour of Burley was also appointed to consider the commercial and industrial policy of the Empire after war. The deliberations of this committee involved problems of the greatest moment to India and yet India was not accorded any -- representation at this committee. This committee urged on His Majesty's Government "to declare forthwith their adherence to the principle of Imperial preference and to establish in -- pursuance of this object, a wider range of customs and duties which would be remitted or reduced on the products and manufactures of the Empire. The Committee has also recommended that a preferential tariff such as that suggested by them ---

should be the basis of commercial treaties with the allied and neutral powers in accordance with the recommendations of the Paris Economic Conference. The proposal for the establishment of imperial preference has been put forward not only to safeguard British Industries but also for the sake of the unity of the Empire for which they think it necessary that " a serious attempt should now be made to meet the declared intentions of the dominions and the colonies for the development of their economic relations with the United Kingdom". They have also considered the necessity of finding alternatives by way of subsidies in lieu of tariff preferences. The committee have refrained from making any recommendations regarding India, but have reserved an examination of the case for India with the remark "that the special position of India as well of Egypt and Sudan will require consideration." There is a great conflict of interests between this country and Great Britain in the matter of trade policy and if the committee's recommendations are aimed, as they seem to be, at the promotion of certain industries in England with the raw materials from India and a corresponding discouragement of the growth of industrialism in this country, there is bound to be sooner or later an emphatic protest against this policy.

INDIA'S POSITION

What, however, the Irish members of the committee, have

expressed in regard to Ireland applies equally to India and may well be quoted here: "We are unable to subscribe to any resolution of the nature now submitted by the Committee which does not deal with the special case of Ireland. Past experience has shown that Ireland has had to conform to whatever fiscal system suited the needs of Great Britain, without regard to her own needs. We therefore feel that when new arrangements are being considered it is necessary to secure that Ireland's --- claims to separate treatment should be recognised. Realising that the decay of her industries and of her agricultural cultivation which the consequent depopulation have been the result of confounding her economic conditions as an agricultural country with the totally diverse industrial conditions of Great Britain, we are of the opinion that the same fiscal liberty-- which is at present enjoyed by the self-governing dominions -- should be extended to Ireland. Only by this means we consider can Ireland's economic resource be properly developed." Similar sentiments have been expressed by the Indian delegates to the recent Imperial conference in 1917. Speaking at a Luncheon given by the East India section of the London Chamber of Commerce, Sir S.P. Sinha referred to the expansion of industry and commerce in India and said "The resources of India must not be exploited by other parts of the Empire for their own benefit.

The first aim must be the welfare of India herself and this would be most advantageous to the Empire as well." Mr. Chamberlain described the position of India in these words. "India could a great part in the scheme of rendering the Empire independent of outside resources. She would be a great store house of the Empire, but she must not remain a mere hewer of wood and drawer of water. It is essential that her industrial development which is only beginning should progress, enabling her to take a larger share in manufactures and production. I emphasize the fact that we must watch and help the development of India without jealousy or suspicion." It must be made plain that schemes of reconstruction, in order to be acceptable to India and her growing aspirations, must embody the sentiment so unequivocally expressed by the Secretary of State.

It is also necessary to invite attention to the activities of the Empire Resources Development Committee. A question has been raised with regard to the exact position of India in the scheme for the development of the resources of the Empire, formulated by this committee. Lord Islington, the present Parliamentary underSecretary of State for India, stated that it is in contemplation to organise an imperial development board in which India, the United Kingdom, Self-governing Dominions and the Crown Colonies will be represented. One of the duties of this board the consideration of the lines in which

Indian Industrial development should be pursued in the interest of the Empire as a whole. The appointment of the industrial commission presided over by Sir Thomas Holland is stated to be in pursuence of this new policy. Lord Islington declared that "the whole trend of the inquiry of this commission is in keeping with the ~~policy~~ policy of the Empire Resources Development Committee." We really do not know at present how in these important economic changes that are impending India will be affected. Her representatives have never been asked to consider this new economic policy. The war has brought about a revolution in the ideals of economic policy. On the one hand, there is an attempt at the development of a policy of preference between the component parts of the Empire. There is also a movement for the establishment of some kind of customs union between the British Empire and the allied countries. The advocates of preference apparently believe that their policy would make the Empire a virtually self sufficient economic system on the one hand and the harmonious political system on the other. These views are not universally accepted even in the United Kingdom. A writer in the Manchester Gaurdian Mr. J. Hobson, writing a few months ago controverts these assumptions. After reviewing the statistics of imports and exports immediately -- before the war he comes to the conclusion that not only Great Britain but the Empire as a whole is far more dependent upon

trade with foreign countries than upon trade with its own members and that it would be unwise to take any fiscal steps --- which would damage the trade relations of Great Britain with foreign countries. "The establishment of a tariff such as that now under contemplation would injure commercial and political relations with our own allies in the present war. The --- attempt to make the Empire a self-sufficient unit is attended with a great many difficulties.

Any scheme of Imperial preference within the Empire is also bound to affect the present independence of the several self-governing dominions in the making and changing of their tariffs in which they now enjoy perfect freedom. This is the essential difficulty in the creation of preferential tariffs. No mutual preference could work without some scheme of centrally controlled Imperial finance involving some fixity of tariff arrangements. It is also possible that any system of preference accorded in Great Britain might be also of unequal value to the several dominions and India.

Political Status.

These large problems which will affect India with the -- other parts of the Empire are looming in the horizon. But in a consideration of these and other questions India can no longer be ignored. She is no more under the guardianship of the ---

Imperial Government and has attained an independent status. ;

The sittings of the Imperial war cabinet have constituted an immense step forward on the part of Imperial organisation by conceding with all possible fullness the right of the dominions and India to share in the framing of such policy as affects the Empire as a whole. India as a most important unit of the Empire has now for the first time been admitted to the innermost imperial councils and henceforth to take her share alike in advantages and obligations of the Empire along with the United Kingdom and the dominions. At the last imperial war conference, the Indian representatives have taken part in all the deliberations of the imperial war conference and the imperial war cabinet. It has now been made clear that this representation is to be permanent. The admission of India into the imperial conference was recommended so early as 1905 by Mr Lyttleton the Secretary of State for Colonies at the time, and yet it was not till she had mingled the blood of her warriors with that of the Canadian and the Anzac the South African and the Australian on the battle fields of Flanders and France, of Mesopotamia and Egypt, of Gallipoli and the Suez, East and West Africa, that her value to the Empire was recognised and requited by an invitation to her to join the Imperial War Conference and the War Cabinet. The Maharajah of in the Prime -- with legitimate pride when he referred to the have spoken of

the city of London

following terms:-- "But our greatest pride is that our troops were privileged to go out to France almost immediately after the outbreak of war and to arrive at the opportune moment when units as they came, were rushed straight from the Railway to help to stem what the Germans confidently anticipated, would be their triumphant march on Paris and the Channel. I was --- there, with the Meerut Division and I speak from personal experience. The fate of nations and of civilization there hung in the balance. Every additional man counted. We had veritable a thin Khaki line with very little but our loyalty our patriotism and sense of duty to carry us through." India did not ask a price for her services to the Empire for, in the words of the Maharajah of Bikanir, her loyalty had no price. These services have been handsomely acknowledged in a ~~spirit~~ spirit of grateful recognition by those responsible for the conduct of affairs on the Empire and they constitute the title by which she has established an altered status in the Empire as a partner nation in common with the self-governing Dominions.

THE PRIME MINISTER.

India is therefore grateful to the statesmen throughout the Empire who have recognised her services to the Empire. It is enough to refer to the generous terms in which the Prime -- Minister and the Secretary of State for India have spoken of these services. On receiving the freedom of the city of London

on 27th April 1917. Mr. Lloyd George, speaking of India and acknowledging the help that India has given to the Empire said, "I think I am entitled to ask that this loyal people should feel not that they are a subject race in the Empire, but partners with us. Timorous faint heartedness, is abhorrent in peace or war and in war it is fatal. Britain has faced the problem of war with a courage which is amazing. She must face the problem of peace in the same brave spirit."

INDIA'S CONTRIBUTION TO THE WAR.

In moving the Resolution in Commons accepting India's contribution of £ 100,000,000 towards the cost of the war, Mr. Chamberlain the Secretary of State for India said "I would ask the House, before we pass to the particular gift now under discussion, to spend a little time in reviewing other contributions which India has made. The figures which I shall use, partly of necessity and partly from choice, have not been brought up to date. It is not desirable that the latest figures and the latest position should be revealed to the world. I hope, however, that the account which I shall be able to give will be one which shall do proper justice to India but at the same time satisfactory to this House, and not misleading to anyone in India.

Indian Army's Achievements.

'The army of India, before the war, consisted of 78,000

British troops, and 158,000 Indian troops, or a total of --- .
236,000 men. In addition to these, there were 18,000 Imperial
service troops. That force was organised for a purpose not --
~~anyhow~~ confined, of its own motion, by the Indian Government
but laid down after consultation with the Imperial Government
at home, to discharge duties which is was then contemplated
the Indian Army might be called upon to fulfil. The Indian
Military Budget in the year before the War amounted to -----
£ 20,000,000. This country has, under the Resolutions of the
House, borne the extra-ordinary charges attendant upon the em-
ployment of Indian troops elsewhere. The Indian Military Bud-
get for this year, instead of being £ 20,000,000 is 26,000,000.
That additional £ 6,000,000 of expense is, I may say, almost
entirely due, and directly due, to the circumstances of the
present great War. What use has been made of the Indian forces
constituted as I have described, in the course of this strug-
gle? Indian troops have fought, I think, in almost every ---
theatre of the War-in France, in Egypt, at Aden~~z~~, on the Suez
Canal, in Gallipoli, in East Africa, and in West Africa.

Hon'ble Members: Mesopotamia!

Mr. Chamberlain: Neither the House nor I am likely to
forget that they have fought in Mesopotamia- nor will that
Army! Let the House cast itself back to the anxiety felt in
relation to our Army in France in the winter of 1914. Neall

one third of the forces we ^{way, an} India. They were the first of the oversea troops. The Indian Army provided the first defence of British East Africa and repelled the first Turkish attack on the Suez Canal. The army in Mesopotamia, which in the last few days retrieved- how gloriously retrieved! - the check and misfortunes of our earlier operations, and which has struck a blow that resounds throughout the whole of the Eastern World, and not the Eastern world alone, is an Army which, from first to last through all its sufferings, hardships, and disappointments- and in its triumphs! - is in the main an Indian Army based upon India. It is difficult when one reviews the deeds of the Indian Forces in this War to select for illustration any particular instance, but the House, will not forget, and the country will not forget, such episodes as in France the recapture of Neuve Chapelle in October 1914 by the 47th Sikhs and the 20th and 21st Companies of Sappers and Miners. The 47th Sikhs lost in that attack 178 out of 289 engaged; and the Sappers and Miners lost 119 out of 300. They will not forget the attack of the Garhwal Brigade at Neuve Chapelle on 10th March, and I am sure the House will forgive me, on the occasion in particular, for referring to the actions- the glorious actions of the Indian regiments in Gallipoli. Who is there who can -- read without emotion of the action of the 14th Sikhs at Cape Helles, when the supporting troops on the other side unable to

get to them fought their way, and held on to the last with the loss of nearly all their British and nearly all their Indian officers, and with a loss of 430 men out of 550 engaged? When a day or two afterwards the same ground was traversed again in a successful advance of our troops, the General who was in command has told me every Sikh has fallen facing his enemy, and most of them has one of their enemies under him. May I remind the House that on that occasion, fighting alongside them, were the Lancashire Fusiliers. No narrow spirit of sectional or racial jealousy animated either of them on that day, but one glorious emulation as to how best they might serve the Empire, how best they might do glory to it.

Strength of the Forces.

" I am going to ask the House to listen to a brief summary of what the Indian Army has contributed. On the outbreak of War there were 530 officers of the Army in India on leave in this country. They were made over to the War office to help them to organise the New Armies which it was necessary to create here. Before the close of last year over 2,600 British Officers had been drawn from India, apart from those who accompanied their units abroad, and the total number of British Officers in India before the War broke out was less than 5,000. On the outbreak of War the Indian Army Reserve of officers consisted of forty members. It comprises now over 2,200 of whom

about 800 are on field service. Apart from the Indian Army -- Reserve of Officers, commissions have been given in the Indian Army to 271 cadets from Quetta and Wellington, where military schools corresponding to Sandhurst have been established since the War began. Of the rank and file- again, I say, I have not tried to get the very latest figures- the total British and --- Indian Forces which have gone on active service must approximate a figure of 350,000; and the Army, as I have reminded the House, before the War was 236,000. All the units of the Indian Forces have been kept well supplied with drafts, and in order that might be done, the establishments of the cavalry regiments in India have been increased by 20 per cent., and the establishment of the infantry regiments in India have been increased by 40 per cent., New units have been created drawn not wholly -- from those classes or races which were recruited before the -- War; and in particular I note on this occasion - because I am anxious to correct a mistaken answer which I have some months ago - that a company of Burma Pioneers was enlisted in consequence to the desire of the people to take their share in the great struggle. There is another experiment which has been made, which I am watching with with the greatest interest and with earnest hope for its success. A Bengali Double Company has been created, and I hope it will justify its creation.

"I leave the direct supply of combatant troops, and the

House will not blame me if I spend a moment over the medical services.

The medical arrangements of the Indian authorities, whether at home or abroad, have come under severe criticism, and this is not the occasion for me to offer any justification or any defence; but I want to tell the House in a few words what the Government of India did from the narrow resources - for, after all, they were narrow resources - at their disposal. Forty field ambulances six clearing hospitals, thirty-five --- stationery hospitals, eighteen general hospitals, nine X-Ray sections, eight sanitary sections seven advanced depots, and one general medical store depot have been sent on service overseas. The ~~personnel~~ personnel provided for these units and --- other services amounts to 258 officers of the Royal Army Medical Corps, 704 officers of the Indian Medical Service, 40 lady nurses, 475 assistant surgeons, 854 sub-assistant surgeons 720 British nursing orderlies, 2,840 Indian ranks, and nearly ---- 20,000 Indian followers. In order to meet the heavy demands on the Indian Medical Service nearly 350 officers have been withdrawn from civil employment, and some 200 private practitioners and civil assistant surgeons have been given temporary commissions. In the subordinate branches, 205 assistant surgeons and 560 sub-assistant surgeons in various kinds of civil employment have been released for military duty. May I say at

once, whilst abstaining from any plea in defence of either the Secretary of State for India or the Government of India in connection with the Military arrangements, that as far as I know, all the testimony from everyone who has had experience concurs in this, that the devotion and self-sacrifice of the officers of the Medical Service attached to the Expeditionary Forces have not been exceeded, and could not be exceeded, in this War? The House knows that this is not the last word of the Government of India on the subject. They have just made service --- compulsory for men of European birth and Anglo-Indians in India and they have opened registers for Indian s to volunteer for the defence of their own country.

India's Material Resources.

After referring to the Imperial Service Troops, output of munitions, German influence in India and Frontier troubles,

Mr. Chamberlain proceeded:-

" Very briefly I would just like to say that my review of the contribution of India to the War is not complete and it cannot be complete, without some mention of the aid rendered by India in producing and supplying for our needs, products, raw or manufactures which were of vital importance to us. Her mineral resources have been of first-class consequence to the War. Take a single instance, that of the wolfram mines of --- Burma. Before the War the whole output was 1,700 tons, and --

that went to Germany. The exports now are at a rate equalling half of the pre-War production of the whole world, and they do not go to Germany, except in such a form as we should all wish. Then there is manganese ore, saltpetre, mica, shellac, jute -- bags, raw jute, tanning materials, wool, Army blankets, oil seeds wheat, rice, and forage. All these things we have drawn from India, and all these India has contributed to help the -- Empire in its struggle. The list of commodities is a long one, and it has recently been calculated that the value of the India exports of direct national importance is over £ 3,000,000 a month, a figure which may reach or even exceed £ 5,000,000 --- during the season of heavy wheat shipments. The significance of these figures will be appreciated when it is stated that the total value of Indian exports to all destinations "is, roughly, ~~Rx~~ £ 12,000,000 a month and to this country £ 4,000,000."

CHAPTER III.

Self-Government for India.

Liberty of the group is regarded as the basis for all natural development of the country or the race. We take this for granted. For no civilised race will endure foreign domination, however admirable its governors may be; and even uncivilised races have usually to be persuaded by force of superior arms to accept guidance from those who are eager to govern them for their own good. There is a natural and primitive prejudice against foreign domination which in a civilised race becomes the conscious desire for political independence. The group regards itself as a developing organism which must have free play for its own abilities and untrammelled opportunity for expressing its own characteristics. I am speaking as it were from the inside of my group, for not seldom a group which demands liberty for itself denies it to others. The outside view of a group may induce a more powerful group not only to concur the smaller, but even to believe that such conquest is good for the smaller. I am not now speaking of that issue. The fact remains that every group regards political independence as good for itself."

In the preceding chapters attention has been drawn to the great constitutional innovations directly resulting from the

Imperial War Conference. Imperial consolidation has been effectively secured but not by the creation of a new political machinery. A great deal has been said and written on the subject of a new federal constitution for the Empire but it does not appear to be within the range of practical politics. The impulse for this movement for participation in Imperial affairs has come partly from the self-governing dominions and Colonies. Independently of this movement, for the establishment of federal institutions, another movement for constitutional reform equally far reaching in its consequences has been gathering strength in Great Britain for several years. The movement for Home Rule all round and the establishment of subordinate legislatures in England, Scotland, and Ireland has been under active discussion and consideration by constitutional Reformers and the Parliament of Great Britain. It has its origin in a desire to have the domestic business of the four Kingdoms included in Great Britain transacted by Provincial Assemblies. Such a reform has become more and more urgent with the advent of various new conditions. The assumption of Sovereignty over India by the Crown, the vast growth of the Empire since 1855, the dominant position of Great Britain in the World politics during the last fifty years, the rapid extension of Legislation to social questions, have all tended to increase Parliamentary business to such a degree that the administration of

affairs as well as of the affairs of the outlying parts of the Empire has been made impossible and Parliament has been unable to discharge its domestic functions with efficiency or quickness. So early as in 1846, Sir Robert Peel complained of the immense multiplication of details in public business and in 1879 Mr. Gladstone definitely took the view that Parliament had become overweighted and overwhelmed with work of all kinds and he promised if Ireland or any other part of the country was desirous of arranging and able to arrange its affairs by taking the local part or some local part of its transactions off the hands of Parliament, he would support any scheme that might be brought forward with this view. This declaration was followed by the Irish Home Rule Bill in 1886 and its chequered history is too wellknown to need recapitulation. Mr. Gladstone committed himself in 1890 to the adoption of what he called 'Devolution' as a method of Parliamentary constitutional reform.

In Scotland, the principle of devolution for local affairs began to attract public attention from 1894. In that year, Sir Henry Dalziel proposed a resolution in the House of Commons -- that it was desirable, while retaining intact the power and Supremacy of the Imperial Parliament, to establish a legislature in Scotland for dealing with purely Scotch affairs. In the following year the House of Commons accepted a motion of the same member which was much wider in its terms. It was an

affirmation of the principle of devolution upon legislatures to be constituted in Ireland, Scotland, Wales, and England respectively for the management and control of their domestic affairs. In 1912 when the Irish question reached an acute stage another resolution was adopted in the House of Commons that in its opinion the measure providing for the delegation of Parliamentary powers to Ireland should be followed by the granting of similar powers of self-government to Scotland as part of a general scheme of devolution. Apart from these resolutions, a bill for granting self-government to Scotland was actually introduced into Parliament in 1908 and its first reading was passed by a large majority. In 1912 another Bill for ~~Scotland~~ Scottish Home Rule was introduced to secure local autonomy to Scotland. "Home Rule for Ireland", the prime Minister declared in 1912 in reply to a deputation of Scottish Liberal Members, "would leave the constitution lopsided incoherent and logically inconsistent." There was again another Bill in 1913 which --- reached the Second Reading stage and was passed in the House. Wales has also strenuously supported the principle of Home Rule. During the discussion of the Bill for the Government of Scotland in 1913 Welsh members of Parliament expressed "the people of -- Wales regard that the diversity of characteristics of the four nationalities by being entrusted if they have the ability to deal with it, the management of domestic affairs, will redound

enormously to the advantage of the entire British Commonwealth. We regard this as an essential initial stage in the way of enabling the Imperial Parliament to discharge properly its Imperial functions and responsibilities." Mr. T. P. O. 'Connor -- admirably summarized the present situation in regard to domestic legislation and administration in Parliament with his characteristic humour and geniality. He said "the affairs in Scotland are discussed and decided not by the local knowledge of Scotsmen but by the ignorance of the Englishmen, Irishmen and Welshmen; and that is what goes on all round. Irish affairs are discussed and decided by English ignorance. Scottish affairs are discussed and decided by English or Irish or Welsh ignorance. Welsh affairs are discussed and decided by English or Scottish ignorance and English international affairs are decided not by English knowledge but by Irish or Scottish or Welsh ignorance. So far as local affairs are concerned they are decided in the Imperial Parliament not by the knowledge of the Kingdom to which legislation applies but by the comparative ignorance of all the Nationalities in Parliament. In the Imperial Parliament hurried men scamped work, undebated Bills, and undebated great issues, and at the same time two or three hours during the several weeks of the sessions are given to a turn pike in Ireland or to a tramway in Scotland or to the question whether Liverpool shall have 32 or 26 candle power in its gas."

There was no doctrine more imbedded in his mind than that there is only one safeguard in the world for good administration and that is the responsibility of the administrators to local opinion.

The National Movement in India.

In India the national movement for the attainment of self-government within the Empire began with the establishment of the Indian National Congress in 1885. The President, W. C. Bonnerjee, declared that "it was the desire of Indians to be governed according to the ideas of Government prevalent in Europe, the basis of the Government should be widened and that the people should have their legitimate share in it". Among the aims and objects of the Congress stated for the first time from the platform of the Congress was the fuller development and consolidation of the sentiments of national unity which had already taken root in the country. Mr. George Yale as -- President of the 4th Indian National Congress pleaded for political institutions on a wider basis and for a change in Indian polity and for the extension of representative institutions. Mr. Dadabhai Naurojee again dwelt on Indian National aspiration at the Congress in Lahore in 1893 and pleaded for justice and the rights of true fellow citizenship to the vast mass of humanity in India. In 1902 Surendra Nath Banerjee presiding over the 18th session of the National Congress implored that "the

new sovereign should enthroned himself in the hearts of the people "by the gradual extension to them of that system of self-government which had been the invariable accompaniment of British power and civilization and which wherever it has been granted, has been the strongest bulwark of Imperial rule."

Sir Henry Cotton whose Indian experience as a Civil servant is second to none advocated, in 1904, autonomy for India so that the United States of India might constitute the brightest jewel of the Empire. Finally in 1905 the grand old man of India - Dadabhai Naorojee as President for the third time of a session of the Indian National Congress pleaded for such a systematic beginning in Indian Polity which would in no long time develop into full legislatures of self-government like those of the self-governing colonies. "Self-government is the only and chief remedy" said the patriarch of Indian politics. "In self-government lies our hope strength and greatness." For the first time a resolution was adopted in 1906 declaring that the ideal of Indian politics was the attainment of self-government on Colonial lines within the Empire. The goal of Indian Political aspirations was definitely laid down in 1907 as the attainment of self-government on ~~xxxxxx~~ colonial lines within the Empire. The scheme of reforms formulated in 1916 by the Indian National Congress and this Muslim League is intended as a definite step towards the attainment of full self-

within the Empire. The admission of India to equality of ---
treatment along with the self-governing dominions in the con-
sideration of the common affairs of the British Empire has --
strengthened our cause for self-government in a variety of ways.
It has secured to us the sympathy of the Imperial Government
and the statesmen of the Empire in support of the movement for
the establishment of self-government which has occupied the
public mind in India for a considerable time. Our own repre-
sentatives to the Imperial War Conference were not slow to --
utilise their opportunities for pressing the claims of their
country for the Government of India being approximated as ra-
pidly as possible to the system prevailing in the self-govern-
ing dominions. The Maharajah of Bikanir declared "that further
steps in the internal and political evolution of India would
seem not merely a desirable but a necessary corollary to the
momentous decision that India, with the dominions, should re-
gularly be consulted in peace, as in war, at the Imperial con-
ference and cabinet."

This movement for devolution and the establishment of su-
berordinate Legislatures is much more likely to come to fruition
than the proposals for new federal institutions on the Impe-
rial scale; and the Parliament will thereby be relieved of
some of its burdens and be able to attend to the common affairs
of the Empire. The Maharajah "declined to believe that British

statesmanship would not rise to the occasion and be able to handle Indian problems with sympathy, imagination and broad minded and generous perspecacity." Finally he strenuously urged that the advance to be made should be conceived with breadth and generosity of view that have marked the British policy in so many other parts of the world and which, the history of British Colonial expansion has shown, Britain had never occasion to repent." Sir S.P.Sinha also spoke in equally emphatic terms. He said "It is from our point of view less important now that we should have a perfect government than that we should govern ourselves." His Majesty's government have now affirmed that the goal of British policy in India is the establishment of self-government with a view to progressive realisation of responsible government in India as an integral part of the British Empire and that substantial steps in this direction will be taken as soon as possible. In arriving at this momentous decision British Statesmen have set their seal on the National aspirations of the people of India. It is in accord with the national development of British constitutional history. The British Empire has been described as a league of nations. It presents the unique spectacle of the development of democracy under a monarchical government and the evolution of separate and distinct nationalities within the Empire. The variety of laws and systems of Government which

a bird's eye-view of this marvelous organization reveals to the student of politics, and the harmony with which they are administered are almost unparalleled in the history of the world, ancient or modern. In the fifty colonies that the empire comprises, there is the Roman law as in Quebec, the modern French law as in Mauritius, the Spanish law as in Trinidad and the old Sicilian feudal law as in Malta. The several Dominions, the crown colonies, the dependencies, protectorates and spheres of interest and of influence represent various forms of sovereignty from a benevolent despotism to responsible government. The strong point of the Empire is that it seeks to foster local autonomy with a sense of common interest in the corporate organization, distinguishing Pax Britannica from a military imperialism and maintaining order without imposing a limitation on the natural development of what is set in order. The Empire receives its strength and support by the assiduous care with which it has fostered a sense of nationality. India has, therefore, entered on a new era in her national life and her hopes at the present day run high.

A CONTRAST.

The struggle of India for self-government in domestic affairs, its position as a partner in the Empire having been acknowledged, presents a contrast to the struggle of the Dominions for a position of equal partnership in the Empire after

they have enjoyed self-government for decades. The emigrants to the colonies have carried with them their inherited and ingrained birth right of self-government and now they are striving for a share in the administration of Imperial affairs, whereas in India which has been recently admitted into the innermost councils of the Empire along with the self-governing Colonies, the demand of self-government however articulate it may have been for decades has only just now evoked the sympathies of responsible men in the United Kingdom. Again the sympathies of Indian nationality has preceded her demand for self-government while the people of the Colonies, "in equipping themselves to think and act as nations, have like those of the United States of America severally acquired a national consciousness of their own." There is another point of contrast. The component states or provinces of Each Dominion started as self-governing units and had to solve the problem of a central national Government in order to co-ordinate their progress and consolidate the strength of each of them. India on the other hand has, a strong Central Government carried on by a bureaucracy for more than half a century and a devolution of its powers to make the provinces autonomous in domestic matters has yet to be undertaken. The control of the people over the administration does not as yet exist in India.

THE DEMOCRACY.

His Majesty's Government have now stated that their policy in India is the establishment of self-governing institutions for the realization of responsible government as an integral part of the Empire. This policy involves necessarily a change in the present administrative system in this country. Mr. Fisher, the present educational minister in the United Kingdom has very recently pointed out the difference between the present Indian system and responsible government in the following terms:- "Administrations fall, in the main, into two types, those which are and those which are not responsible to immediate parliamentary control. For the purposes of clearness, though the phraseology is far from being accurate, we will designate them as responsible and irresponsible administrations. The Civil Services of Canada and Australia are responsible because they are under the immediate eye of a democratic Parliament. The Civil Service of India is irresponsible because, although ultimately subject to the Parliament of Great Britain, it is exempt from interference from any popularly constituted body in India, and possesses therefore a liberty of action --- ~~considerably in excess of~~ considerably in excess of -- that enjoyed by the administrative agents in our self-governing Dominions." The Indian Civil Service is the political, governing service of the country. The Indian Civil Service is the

government. The administration of India is no doubt theoretically subject to the control of Parliament. But the affairs of India are really in the hands of the government of India and the local Government." Their administration is essentially run by the Indian Civil Service which is the government of the --- country. Mr. Fisher has given a very correct description of the all-embracing powers of the Indian Civil Service when he -- said "It may accept amendments, it may withdraw a measure in the face of criticism which it judges to be well founded, it may profit by the non-official criticism but it is master in its own house. Cabinet Councils, Government majorities, diplomatic agencies in the Native States, administrative agencies in British India - all are provided by the Indian Civil Service, that wonderful bureaucracy recruited by a competitive examination in London, which is expected to turn out judges, revenue officers, heads of administrative departments, pro-consuls, -- legislators, political officers or diplomatists, and under the new regime, parliamentarians as well." In short, it is assumed that the moment a civilian arrives in India, he is endorsed with the quintessence of all human wisdom. There can be no limit to his capacities and abilities. He would be the most efficient Accountant-General, Director of Agriculture, Director of Fisheries, Director of Industries, Director of Education. He would be a member of the Railway Board. There is, in fact, no

technical Department which a civilian cannot manage efficiently.

Now the Bureaucracy has been ruling this country for over one hundred and fifty years. So long ago as 1767, Sir John Shore condemned the bureaucratic form of administration as --- "inseparable from a system of government of a remote foreign dominion". Sir Thomas Munro pointed out in 1823 that, even Britain subjugated by a foreign power and the people excluded from the Government of their country, all their knowledge and all their literature sacred and profane would not save them from becoming in a generation or two a low minded, deceitful and dishonest race. Referring to the bureaucracy in India, Lord Maculay stated in 1844 that of all forms of tyranny he believed that the worst is that of a nation over a nation. The proposal to place the Indian administration directly under the Crown brought the subject of bureaucratic form of government prominently before the British public in 1858 with a view to focuss Parliamentary opinion on the subject. Amongst the friends of India in England at the time was Mr. John Fickenson M.R.A.S., F.R.G.S., who, in a pamphlet under the title of "the Government of India under a bureaucracy." dealt with the then existing evils of the political system in India and made an -- impassioned appeal to his countrymen in the following words.

"Oh, my countrymen; may heaven itself soften your hearts, and awaken your sympathy for this interesting people; may it reach

you not to reject your fated opportunity, nor again thrown such a pearl as India before an irresponsible Bureaucracy". Another Englishmen, well known in India, Mr. John Bruce Norton said at the same time that "the executive civil service, with its associations with its amour propre, its esprit de-corps, its hereditary nomenclature, regarded itself as the "aristocracy" of India, and indeed was proud so to designate itself. It regarded with disfavour the instruction of any independent Englishman to the discharge of functions which savoured of civil administration. "It saw with alarm every encroachment on its --- privilege and prerogative; and even while the revenue collectors are exclaiming against the amount of work imposed upon them, and the numerous different descriptions of duties they have to perform, they at the same time protest against the separation of magisterial and revenue functions, because they-- know that this measure, so indispensable to the well-being of the people, must, if carried, necessitate the employment of Indians largely in the magistracy. Notwithstanding that the members of the Civil service were taken in England, from the "middle classes" it must not be forgotten that their position was entirely altered from the moment they set foot in India. They became a sort of imported fictitious aristocracy; they were no longer of the middle classes, but constituted, in their own opinion on all points, and, in fact, so far as governing questions are concerned, the highest class. They are an ----

oligarchy; and I consider that a "middle class oligarchy" is the worst theoretical Government in the world, for it wants all that nobility of feeling, largeness of view, politeness of demeanour. Hence the petty jealousy of the civilians towards all those who refused to look upon their body as one entire perfect chrysolite, or who trenched, however sparingly, upon the ruling functions which they have looked upon as exclusively appertaining to themselves." These opinions of cultured and unbiassed Englishmen reflect the public opinion of the day in 1858 on the administrative system in India, its tendencies and effect on the machinery of Government and are enough to show how powerful was the influence of members of the great services who constituted themselves the governing classes and how helpless even Englishmen with independent views felt in the advocacy of any cause which clashed with that of the bureaucracy. The position is the same today and it is perhaps desirable to refer also to more recent opinions on the character of the present system. A remarkable confirmation was given, after a hundred years, to Sir John Shore's description of 1787, by the Secretary of State for India in 1886. In discussing some proposals for taxation made by the Government of India, the Secretary of State said "The position of India in relation to taxation and the sources of the public revenue is very peculiar, not merely from the habits of the people and their strong aversion to --

change which is more specially exhibited to new forms of taxation but likewise from the character of the Government, which is in the hands of foreigners who fill the principal administrative offices and form so large a part of the Army".

In 1894, Mr. Samuel Smith, M.P. pointed out in the House of Commons that "India" was the only example in the whole world at the present time, of the Government of a great country entirely by a bureaucracy. They might imagine what it would be like if the Government of the United Kingdom was in the hands of permanent officials without the directions of Parliament and without the control of State for India, who was thoroughly acquainted with official life, could form for himself a pretty good idea of what the Government of this country under the --- control of permanent officials." Mr. Smith stated that the --- system of bureaucracy necessarily produced a whole class of abuses peculiar to itself. The official classes looked upon themselves as a privileged class. They were drawn together by an Esprit-de Corps. The tendency of all bureaucracies was to condone the faults of their members, and to white-wash the black sheep that might turn up amongst them; for in all bodies of men they had a certain number of black sheep."

MERITS AND DEFECTS.

Now like all human institutions, the bureaucracy has its

weakness and merits both those which are inherent in it anywhere in the world and those which are particular to it in its relation to India. There are complaints in the United Kingdom that within the life time of the present generation, the bureaucratic system has established itself firmly in the machinery of Government and officialism has silently spread its tentacles over the whole life of the Kingdom. Centralization has come in its wake. These evils have grown in a democratic country and Mr. Cox, the editor of the Edinburgh review has in a recent article laments the fact that "officials whose names are unknown, who work behind thick walls free from all fear of public criticism can defy the elected representatives. They are however, under the eye of Parliament where there is possibility of bringing them to book. In India there is no such fear and besides, the ruling bureaucracy is essentially foreign in its composition and has no permanent interests in the country. So long as government contents itself with the constituent functions of the state, such as the collection of taxes, the maintenance of Law and Order, the construction of roads, dams and railways, the governing bureaucracy in India has done its duty. However defective their performance may be, owing to difference of race and language and the importation of fallen methods and the neglect of indigenous ones, the utter good faith in which they have approached their task cannot be questioned. But the

bureaucracy does not much concern itself with the ministrant functions of the state directed towards the advancement of the general interests of society and of every social organization, those which combat poverty, ignorance, distress disease, death, those which elevate the masses of the country and train them in the ways of self-help and self-government. These are not its functions. Efficiency of the administrative machinery is its sole aim, a benevolent interest in the well being of the people is however cultivated so long as they are docile. A member of that august body is aptly comparable to Sir John --- Bowley, the Poor man's friend, admirably depicted by Dickens:- "You only business, my good fellow, is with me. You need not trouble yourself to think about anything. I will think for you; such is the dispensation of the all wise Providence X X X what man can do I do. I do my duty as the poorman's friend and father and I endeavour to educate his mind by inculcating on all occasions the one great lesson which that class requires, that is entire dependence upon myself. They have no business whatever with themselves." Bernard Houghton, himself a member of the Indian Civil Service says "Most Bureaucracies seem to require from the people they govern a sort of reverent respect-reverence for their wisdom and respect for the admirable manner in which they conduct the affairs of the nation. They are --- shocked at the display of any feeling incongruous with this --

attitude. A nation in their estimation is best compared to a number of schoolboys working and playing happily under the supervision of benevolent and very wise schoolmasters." Few men give up powers voluntarily which they have long wielded. No men in this world are impartial judges when their interests are concerned. No bureaucracy will voluntarily abdicate their powers, however irksome to the common people, which conduce to the convenience of the official or which strengthen their grip upon the country. The bureaucratic system is the same the world over. The jealousy with which the Bureaucracy guards its power was recently forcibly illustrated. Sir Michel O'Dwinger's performance in the Indian Legislative Council showed how the pulse of a Bureaucrat beats in regard to the demand of the people for Home Rule. A bad situation and deadlock was saved through the wisdom and political sagacity of Lord Chellinsford a statesman who has imbibed liberal ideas and principles in the free and healthy atmosphere of England.

The Vital Points of Reform.

The two great evils of the present Indian system are ----- therefore the want of popular control in the Indian constitution and excessive administrative functions. The problem before us is the transformation of centralization of the present Indian polity from a bureaucratic system into a set of decentralised self governing units. Although India has been under

British rule for nearly one hundred and fifty years, Lord Rippon was the first Viceroy who introduced popular control in the administrative machinery. It has been well said of him that "He was the first Viceroy to discover the new India, the India not of expanding frontiers but of expanding souls." The growth of knowledge, of Indian National aspirations, of self realization in the Indian peoples and the necessity to meet these new factors were clear to him from the very beginning of his rule in this country. The scheme of local self government associated with his name aimed at the introduction of popular control only in the branch of district administration. The expansion of the legislative Councils in 1892 by the Government of Lord Landsdowne was the next attempt to provide opportunities to the people for offering their views in the councils on matters relating to general administration. The privileges then conferred on the councils were inconsequential but they paved the way to others. The Minto-Morley Reforms of 1909 were therefore the first real step taken, in India, since 1858 to associate the people with the task of administration

THE MINTO MORLEY REFORMS.

Lord Morley enlarged the Legislative Councils, and extended their functions to the discussion of administrative questions. He had also in view, a larger scheme of popular government beginning with the village. He affirmed that the village in India has been the fundamental and indestructible

unit of social system surviving the downfall of dynasty after dynasty. He desired to see the initiation of a policy that would make the village the starting point of public life. He laid great emphasis on the fact that Lord Ripon's scheme was intended not so much to secure improvement in the administration but as chiefly desirable as an instrument of political and popular education. He had also in view the linking up of the Taluk and District Boards with the Legislative Councils as one whole chain of representative institutions for giving the people a real and effective voice in the day to day administration of the country. He also recognised that the doctrine of administrative efficiency has been pressed too far and the wheels of the huge machine of Indian Government have been driven too fast. The decentralization commission appointed by Lord Morley ended in smoke and the Minto-Morley reforms have in practice proved futile. The bureaucracy have in working them, reduced them practically to a ~~ex~~ nullit. The councils are at present merely ventilating chambers and nothing more. In formulating the Minto-Morley Reforms the Government of India claimed that their proposals "will really and effectively associate the people of India with the work not only of occasional legislation but of actual every day administration." Referring to this statement, Lord Morley said that "the claim is abundantly justified, yet the scheme is not, and hardly

of changes and improvements in the existing system that are .
evidently present to the minds of some of those whom the Govern-
ment of India have consulted and to the best of the judgment,
are now demanded by the situation described in the opening
words of the despatch." It is evident therefore on the high
authority of this eminent statesman that the reforms of 1909
fell short alike of popular expectations and of the needs of
the hour. They nevertheless marked a decisive step and a great
step in advance in associating, however ineffectively, the
people of India with the administrative and Legislative func-
tions of the Government. Lord Morley stated that in framing
his reforms he had three classes of people in view, first the
extremists. He divided this group into academic extremists
and physical force extremists. The second group included
those who nourished hopes for autonomy or self Government of
the Colonial Pattern and the third section asked far more
than to be admitted to co-operation with the administration
and to find a free and effective voice in expressing the inte-
rests and needs of the people. Lord Morley was of opinion
that the effect of his reforms "has been" is being and will be
to draw the second class, who hopes for colonial autonomy, into
the third class, the who will be content with being admitted
to a fair and full co-operation with the Government." It is
only 8 years ago that this political prophesy has been made and

party who merely desires association or co-operation with the Government. In the words of Sir P. S. Sinha, it is not mere influence that the people desire what they now demand is real controlling power. Let there be no mistake about it any longer. At the present day, the articulate populations stand united in a demand for national autonomy or home rule or responsible government and partnership in the Empire on terms of perfect equality. Every public man in every Indian Province stands pledged to-day to the speedy realization of this demand. In initiating his reforms Lord Morley did not in any way interfere with the structure of the government of India as settled under the act of 1858 and the reforms associated with his name never contemplated the transfer of any real power to the legislatures. The constitutional position of the provincial and Imperial governments remained the same as before. The reforms did not surrender any essential principle and the ultimate control of the government was maintained in its entirety.

INDIAN RECONSTRUCTION.

The problem of Indian reconstruction depends therefore not merely upon the development of self-governing functions in the existing political machinery but also on a readjustment of the functions and powers of the various authorities created by the statutes relating to the government of India. If self-government is to become a reality in India a thorough overhaul-

overhauling of the spheres of activities from top to bottom has to be recast the machinery of government on the people of this country substantial powers to manage their own affairs and leading to the development of a system of full responsible government as rapidly as conditions of the country justify. There is a French saying about small reforms being the worst enemies of great reforms. That great political philosopher, Lord Morley stated that this statement is in a sense profoundly true. A small and temporary improvement may really be the worst enemy of a great permanent improvement, unless the first is made on the lines and in the directions of the second. There are instances in the legislation of Great Britain and India where the small reform "if it be not made with reference to some large progressive principle and with a view to further extension of its scope makes it all the more difficult to return to the right line and direction when improvement is again demanded." It is from this standpoint that we shall have to examine all proposals for constitutional changes in the government of this country. The great progressive principle for which we are contending is the attainment of self government for India. The scheme of reform that may now be put forward should be such as to lead to the attainment of full responsible government in this country, but not to retard the growth of it. Any reforms, therefore, which might be ----

CONFIDENTIAL.

REPORT

of the

DELEGATES OF INDIA

to the

SECOND SESSION OF THE ASSEMBLY

of the

LEAGUE OF NATIONS, ~~1921~~

1921.

~~Report~~

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Confidential.

REPORT OF THE DELEGATES OF INDIA TO THE SECOND SESSION OF THE ASSEMBLY OF THE LEAGUE OF NATIONS.

TO THE RIGHT HONOURABLE E. S. MONTAGU, M.P., HIS MAJESTY'S
PRINCIPAL SECRETARY OF STATE FOR INDIA.

SIR,

We beg to submit our Report on the proceedings of the second session of the Assembly of the League of Nations at Geneva, at which we had the honour to represent India.

It may be mentioned that confidential weekly reports were sent by Sir William Meyer to the Under Secretary of State for India, and copy of the same to His Excellency the Viceroy.

2. The Assembly met on Monday, 5th September. This year there were 48 States with the right to send representatives, but none appeared from Argentina, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru and Salvador. A list of the delegates of other States will be found in Appendix I. As stated in para. 152, three new member States—Estonia, Latvia, and Lithuania—were subsequently elected, and their delegates then took part in the Assembly's business.

3. Mr. Wellington Koo (China), as being for the time President of the Council, took the chair at the opening of the Assembly and made a good opening address.

4. The first business undertaken was the election of a Committee of eight members to examine the credentials of the delegates to the League. H.H. the Maharao of Kutch was one of the representatives on this Committee.

5. The next step was the election of a President, and M. van Karnebeek (Netherlands) was elected after a contest with M. da Cunha (Brazil). The British Empire Delegations had resolved to support M. van Karnebeek on the ground that it was not advisable that the President of the Assembly should belong to a State represented on the Council. M. van Karnebeek, however, filled the office in a satisfactory manner. At a subsequent meeting M. Ador (Switzerland) was elected Honorary President.

6. On the 6th September six Grand Committees were constituted to deal respectively with matters relating to: (1) constitutional and legal questions; (2) international technical organisations (transit, health and economic and financial); (3) armaments and blockade; (4) League finance and secretariat organisation; (5) humanitarian questions (opium, typhus, traffic in women and children, &c.); and (6) political questions, such as the admission of new States to the League. Each State represented at the Assembly had one representative on each Committee, and the distribution of the work among the various Committees was as follows:—

NOT REFERRED TO ANY COMMITTEE.

General Report by the Secretary-General on the work of the Council and the Secretariat and upon the measures taken to execute the decisions of the Assembly.
Permanent Court of International Justice.

Report on the ratifications of the Protocol drawn up last year for the constitution of the Court.

Election of Judges (para. 12).

Appointment of the four non-permanent Members of the Council (para. 164).

A resolution by Lord Robert Cecil that greater publicity should be given to the Council's proceedings. This was adopted on the 16th September (Appendix II., Resolution No. 41).

COMMITTEE No. I.

Report by the Council on the conclusions of the Committee on Amendments to the Covenant.

Report by the Council on the conclusions of the Committee appointed to examine the scope and intentions of Article 18 of the Covenant from a legal point of view.

There were subsequently referred to this Committee:—A resolution by Professor Gilbert Murray on the subject of the protection of minorities, and a proposal by Lord Robert Cecil for the simplification of voting by an amendment to the Rules of Procedure.

COMMITTEE No. II.

Report on the work of the Advisory Economic and Financial Committee.

Report of the Advisory and Technical Committee on Communications and Transit.

Report of the Technical Committee of the International Health Organisation of the League.

Organisation of International Statistics.

COMMITTEE No. III.

Report on the conclusions of the temporary Commission on the Reduction of Armaments.

Report on the conclusions of the International Blockade Committee.

COMMITTEE No. IV.

Report from the Committee appointed to examine the organisation, &c., of the Permanent Secretariat and the International Labour Office.

The allocation of the expenses of the League, including the report by the Council on the conclusions of the Committee appointed to study this question.

Draft Budget for 1922.

Audit of accounts for second fiscal period (1st July to 31st December 1920).

Auditors' Report.

COMMITTEE No. V.

Presentation by the Council of the Report of the Advisory Committee on the Traffic in Opium.

Report by the Council on the work of the Commission of Enquiry with regard to the Deportation of Women and Children in Turkey and adjacent countries.

Report by the Council on the International Conference on the Traffic in Women and Children.

Report by the Council on the Typhus campaign.

Report by the Council on the International Co-ordination of Intellectual Work.

There was subsequently referred to this Committee:—A resolution by Mr. Doherty (Canada) on the status of Eastern Galicia.

COMMITTEE No. VI.

Requests for admission to the League by:—

Esthonia,
Hungary,

Latvia,
Lithuania.

And as regards Albania—

(1) The decision adopted by the Council of the League of Nations on 25th June 1921, in regard to the request of Albania concerning her dispute with Greece and the Serb-Croat-Slovene State.

(2) Appeal by the Government of Albania against the occupation of certain territory by troops of the Serb-Croat-Slovene State.

There were subsequently referred to this Committee:—Dr. Nansen's resolution on the subject of Famine in Russia; Professor Gilbert Murray's resolution on the subject of a national home for Turkish Armenians; Lord Robert Cecil's resolution on Mandates.

7. Sir William Meyer represented India on Committees II. and IV., Mr. Sastri on Committees I. and V., and H.H. the Maharao of Kutch on Committees III. and VI.

The distribution of Committee work among the delegates was affected by the fact that it had been determined that, for time-table purposes, these Committees should form two groups—those of group A, viz., Committees I. to III., to meet simultaneously on the afternoons of Monday, Wednesday and Friday (the mornings being reserved for the full Assembly), and those of group B, viz., Committees IV. to VI., to meet on the afternoons of Tuesday, Thursday and Saturday. But the delegates of India were, of course, in close inter-communication throughout.

8. The Committees elected the following Chairmen and Vice-Chairmen:—

- Committee No. I. :—Chairman, M. Scialoja (Italy); Vice-Chairman, M. Urrutia (Columbia).
 Committee No. II. :—Chairman, M. Jonsco (Rumania); Vice-Chairman, M. Freire d'Andrade (Portugal).
 Committee No. III. :—Chairman, M. Branting (Sweden); Vice-Chairman, M. de Agüero y Bethancourt (Cuba).
 Committee No. IV. :—Chairman, M. Edwards (Chile); Vice-Chairman, M. Herluf Zahle (Denmark).
 Committee No. V. :—Chairman, Mr. Doherty (Canada); Vice-Chairman, M. Tang Tsai-Fou (China).
 Committee No. VI. :—Chairman, M. le Comte de Gimeno (Spain); Vice-Chairman, M. Escalante (Venezuela).

There was a general feeling that members of the League Council should not preside over Committees, and no such member was elected.

9. The Assembly then proceeded to the election of six general Vice-Presidents, who, with the six Chairmen of Committees and the President, form the Bureau for the general control of the business of the Assembly. At the first ballot only five nominees had an absolute majority, and a second ballot was necessary between M. Benes (Czecho-Slovakia) and M. Torriente (Cuba), the former being elected. The final list was as follows:—

- M. Bourgeois (France), M. da Cunha (Brazil), Mr. Balfour (Great Britain), Viscount Ishii (Japan), M. Hymans (Belgium), M. Benes (Czecho-Slovakia).

The British Empire Delegations would have been very glad had H.H. the Maharao of Cutch been elected one of the Vice-Presidents, but the success of his candidature was handicapped by his being new to the Assembly. In these circumstances, it is gratifying that he received several outside votes.

10. At the meeting of 7th September, the Assembly confirmed the provisional Agenda for future meetings, which had been placed before it by the Secretariat, and this gave rise to a lively debate between the representatives of Bolivia and Chile regarding a request by the Bolivian Government for the inclusion in the Agenda of the application of Article 19 of the Covenant to a treaty of peace between Bolivia and Chile signed in 1904. It was eventually decided, after the question had been submitted to a special Committee of Jurists, that the Bolivian request was out of order, because the Assembly could only invite the Members of the League to reconsider treaties in certain conditions set forth in Article 19, and would, in the present instance, have to consider as a preliminary whether these conditions did in point of fact exist; and Bolivia then withdrew the proposal, but with a reservation as to bringing it up on a future occasion. It may be noted here that Poland withdrew her request for the inclusion in the Agenda of a proposed amendment to Article 6, para. 3 of the Covenant, dealing with national representation on the Secretariat.

11. At the meeting of the 8th September the Assembly began a general discussion, which lasted until the 17th September, on a bulky report on the work of the Council and the measures taken to execute the decisions of last year's Assembly. In the course of the debate Mr. Sastri made a speech which was most warmly applauded, and the full text of which will be found in Appendix IV. (Annex 1).

ELECTION OF THE JUDGES OF THE PERMANENT COURT OF INTERNATIONAL JUSTICE.

12. On 14th September the Assembly met both morning and afternoon, and nearly the whole of these two sittings was taken up by action in respect of election of Judges for the Permanent Court of International Justice, a matter which gave rise to a great deal of lobbying.

It should be noted that under the constitution of the Court the Council of the League and the Assembly have equal powers in regard to the selection of Judges, so that an agreement between the two is requisite.

13. Each body had thus to select 11 Judges, and at the first Assembly ballot an absolute majority of votes, which was requisite, was obtained by—

M. Altamira (Spain).	M. Barboza (Brazil).	M. Loder (Netherlands).
M. Alvarez (Chile).	M. de Bustamante (Cuba).	M. Oda (Japan).
M. Anzilotti (Italy).	Viscount Finlay (Great Britain).	M. Weiss (France).

Most of these persons had been voted for by the Indian Delegation after consultation with the other Empire Delegations, and we also voted for Mr. Amir Ali, whom our sister delegations likewise supported, and for Sir Robert Borden, but Mr. Amir Ali only got seven votes and Sir Robert Borden 12.

14. It was then necessary to vote again for two other Judges, and the original intention had been that the procedure should be that laid down in the Assembly's Rules of Business in respect of election to plural appointments, such as Vice-President, viz., that the second ballot should be confined to those persons, not exceeding double the number of places still to be filled, who had obtained the largest number of votes on the first ballot.

It was contended, however, by M. Fernaudes (Brazil) that this domestic procedure of the Assembly was not applicable to the method of election for the Judges, which ought to be carried out, under the terms of the Statute of the International Court, in the same manner throughout. After some discussion this proposal carried the day, and it was resolved that at every ballot delegates should be entitled to vote for anyone they pleased. This method, of course, lengthened the proceedings by the scattering of votes.

On the second ballot Mr. Moore (United States) got an absolute majority, but it was not until the fifth that such a majority was obtained by M. Huber (Switzerland).

15. Nine of the 11 candidates thus selected by the Assembly also found favour with the Council, but in regard to two selections there was difference, the Council having voted for M. Nyholm (Denmark) and M. Descamps (Belgium), while the Assembly had preferred M. Alvarez (Chile) and M. Huber (Switzerland). A further vote was, therefore, necessary, and this resulted in the Assembly adopting M. Nyholm (Denmark), but standing out for M. Huber (Switzerland) as against M. Descamps (Belgium). The Council accepted this solution, so that the 11 Judges were finally constituted thus:—

M. Altamira (Spain), M. Anzilotti (Italy), M. Barboza (Brazil), M. de Bustamante (Cuba), Viscount Finlay (Great Britain), M. Huber (Switzerland), M. Loder (Netherlands), Mr. Moore (United States), M. Nyholm (Denmark), M. Oda (Japan), M. Weiss (France).

16. The Assembly then went on to the election of four substitute Judges to take the place of regular Judges who might be incapacitated, and the Indian Delegation (and the British Empire Delegations generally) made great efforts to obtain the selection of Mr. Amir Ali.

On the first ballot M. Alvarez (Chile) and M. Negulesco (Rumania) obtained an absolute majority, while Mr. Amir Ali secured 13 votes, increased to 14 on the second ballot, which latter gave no conclusive result. On the third ballot Mr. Amir Ali's votes dropped to nine, and an absolute majority was obtained by Mr. Wang Chung-Hui (China) and Mr. Yovanovitch (Serb-Croat-Slovene State).

The Assembly's list was thus constituted as follows:—M. Alvarez, M. Negulesco, Mr. Wang Chung-Hui, M. Yovanovitch.

17. The Council's list contained the last three names, but instead of M. Alvarez had M. Descamps (Belgium). Another ballot was, therefore, necessary, and the Assembly sustained the nomination of M. Alvarez, while the Council held to M. Descamps. A third contest between the Assembly and the Council led to exactly the same result. It was, therefore, decided, under the provisions of the Statute of the Court, to appoint a mixed Committee of Selection, which would consist of three members of the Assembly and an equal number of the Council. This Joint Committee proposed to withdraw both M. Descamps and M. Alvarez, and to substitute M. Beichmann (Norway), and the Assembly and the Council agreed to ratify that proposal.

18. The non-election of Mr. Amir Ali, in spite of our efforts, was very disappointing as he would have been an admirable representative not merely of India but of Muhammadan jurisprudence.

Work of Committee No. I.—Constitutional and Legal Questions.

19. Committee No. I. held its first meeting on the 7th September, when it appointed six sub-Committees to deal with the matters before it.

It also selected three members—M. Noblemaire (France), Mr. Bruce (Australia), and M. Osusky (Czecho-Slovakia)—to meet a similar number of members of Committee IV., and discuss in common the amendments to the Covenant which might be necessitated by new arrangements in regard to the Budget and the allocation of expenses of the League. (For the report of this Committee *see* para. 101.)

AMENDMENTS TO THE COVENANT.

Article 1 (Membership of the League).¹

20. The Committee rejected the amendment to Article 1 of the Covenant proposed by Argentina last year (*vide* para. 14 of the Indian Delegation's Report on the work of the first Assembly), which aimed at the automatic admission to the League of all States willing to join it. The report to the Assembly on this subject was drawn up by M. Scialoja (Italy), who indicated that the actual wording of the amendment was defective, as the Argentine Government had itself admitted; and that as regards the substance, although the principle involved was excellent, the Committee did not think that the moment for applying it had yet come. The delegates of Uruguay, Colombia, Chile, and Spain concurred in this view, and some of them expressed the hope that Argentina would soon resume her place in the Assembly.

Action by the Assembly The Committee's proposal that the Assembly should adjourn the discussion of the proposal was unanimously adopted by the Assembly on the 4th October (Appendix II., Resolution No. 25).

21. The Committee adopted the conclusions of one of its sub-Committees regarding the position of minute States, such as Lichtenstein and Monaco—which desired to join the League, but could not well be admitted owing to their small size—that it would be difficult to lay down any general rule for partial association of such States with the League, but that as each particular case arose examination might be made of the best practical action to effect this.

Action by the Assembly On the 4th October the Assembly approved the Committee's proposals (Appendix II., Resolution No. 26).

Articles 3, 12, 13 and 15 (Meetings of the Assembly and disputes between Members).

22. Certain amendments proposed by the Scandinavian and other Governments in respect of Articles 3, 12, 13 and 15 were considered unnecessary by the Sub-Committee entrusted to deal with them. Those relating to Article 3 had for their object to make an annual session of the Assembly obligatory, and to have supplementary sessions whenever an adequate number of constituent States desired it, but this proposal was withdrawn. The withdrawal was duly noted by the Assembly on the 6th October (Appendix II., Resolution No. 34).

Action by the Assembly.

23. The Scandinavian Governments had suggested amendments of Articles 12 and 15 to make provision for a system of commissions of arbitration and conciliation to deal with disputes which come before the League. Committee I. considered this was premature, and that the procedure desired should be subject to further investigation by a special Committee, so that the matter might be further dealt with next year. This recommendation was approved by the Assembly on the 5th October (Appendix II., Resolution No. 27).

Action by the Assembly

24. The Scandinavian Government had desired to leave out the word "generally" in the clause "among those which are generally suitable for submission to arbitration," in the second paragraph of Article 13 of the Covenant. This would emphasise the obligation of Member States to have recourse to arbitration for the settlement

¹ The Articles are referred to in the order in which the Committee reported on them.

of disputes under this Article. Committee I. asked the Assembly to reject this amendment, which was, moreover, not now insisted on by the Governments which had fathered it, on the ground that, in connection with the Permanent Court of International Justice, certain States had already accepted the principle of obligatory arbitration, and that this principle should be left to develop gradually. The Committee's view was confirmed by the Assembly on the 6th October (Appendix II., Resolution No. 35). *Action by the Assembly*

25. On the other hand, the Committee pointed out that Articles 12, 13 and 15 required some verbal amendments making reference to judicial settlement or judicial decision, and in particular they desired that a definite reference to the Permanent Court of International Justice should be included in Article 13. These amendments were fully approved by the Assembly on the 8th October. The text of the three Articles as amended will be found in Appendix II. (Resolutions 38, 39 and 40), the new matter being printed in italics. *Action by the Assembly.*

Article 21 (International Engagements).

26. The Committee discussed at some length a proposal to amend Article 21 so as to make it read as follows, the second clause being new :—

“Nothing in this Covenant shall be deemed to affect the validity of international engagements, such as treaties of arbitration or regional understandings like the Monroe doctrine, for securing the maintenance of peace.

“Agreements between Members of the League tending to define or complete the engagements contained in the Covenant for the maintenance of peace or the promotion of international co-operation may not only be approved by the League, but also promoted and negotiated under its auspices, provided these agreements are not inconsistent with the terms of the Covenant. Special conference of the members of the League concerned may be summoned for this purpose by the Council or by the Assembly.”

This was with the object of emphasising the legitimacy of regional understandings generally and of agreements between certain Members of the League for the maintenance of peace or the promotion of co-operation. China had, however, been restive about regional agreements for obvious reasons, which similarly led Czecho-Slovakia emphatically to approve them. Committee I. came to the conclusion that the time had not yet arrived for such revision of the Article, especially as the present text did not exclude the application of the ideas that the proposed amendment involved. The Committee therefore proposed that, while Article 21 should be retained as it is, the Assembly's attention should be drawn to the fact that “agreements between Members of the League tending to define or complete the engagements contained in the Covenant for the maintenance of peace or the promotion of international co-operation, may be regarded as of a nature likely to contribute to the progress of the League in the path of practical realisations.

“Such agreements may also be negotiated under the auspices of the League of Nations, for example, in special conferences, with its assistance.”

The Committee's view was endorsed by the Assembly on the 6th October (Appendix II., Resolution No. 28). *Action by the Assembly*

Article 10 (Guarantee against External Aggression).

27. An amendment to the Covenant, proposing to eliminate Article 10, had been put forward by the Canadian Delegation. The Committee considered that, as this amendment had given rise to widely different opinions with reference to the legal bearings of Article 10 and its relationship to other Articles of the Covenant (*e.g.*, Articles 12 and 17), it would be desirable that the matter should be held over until next session. On the 6th October this was agreed to by the Assembly, Mr. Doherty (Canada) pointing out that the reason his delegation had raised the question was that they thought that Article 10 contained a dangerous principle, *viz.*, that possession or the *status quo* should prevail over the needs of justice (Appendix II., Resolution No. 29). *Action by the Assembly*

Article 18 (Registration of Treaties).

28. Committee I. proposed that Article 18 should be expanded as shown, below :—

“(1) Every treaty or international engagement entered into hereafter by any Member of the League shall be forthwith registered with the Secretariat, and shall as soon as possible be published by it.

"(2) No such treaty or international engagement shall be binding until so registered. Nevertheless, if treaties or international engagements are registered within three months of the time when they were definitely concluded, the effect of the registration will date back to that time.

"(3) It shall not be obligatory to submit for registration instruments of a purely technical or administrative nature which have no bearing on political international relations, nor instruments which consist merely of technical regulations defining without in any way modifying an instrument already registered, or which are only designed to enable such an instrument to be carried into effect.

"(4) Regulations adopted unanimously by the Assembly shall lay down the way in which these articles shall be applied."

The draft regulations contemplated in the last clause had reference to procedure, and the view taken by the Committee was as follows:—

(i) Under Article 18 all treaties which create international legal obligations must, without exception or reservation, be submitted for registration, provided that one of the contracting parties is a Member of the League of Nations.

(ii) The registration of an instrument imposes no obligation on the League of Nations but that of providing for its publication.

(iii) Registration does not take the place of ratification. It is simply a condition upon the fulfilment of which the binding force of a treaty or international engagement is dependent. Once the treaty or agreement has been concluded, neither of the contracting parties can escape unilaterally from its obligations; but until registration has taken place, the treaty or agreement will lack positive binding force, both between the contracting parties and in regard to third parties.

(iv) As regards treaties and agreements which require registration, any contracting party, whether a Member of the League of Nations or not, may demand such registration.

(v) With regard to treaties between States which are not Members of the League of Nations, there is no obligation to effect registration, but there is nothing to prevent the Secretary-General from acceding to requests for registration addressed to him by such States.

*Action by the
Assembly*

29. In the Assembly, on the 5th October, Mr. Balfour said that it was obvious that the matter was difficult and complex, and that a rigid and unqualified interpretation of Article 18 as it stands was impossible, *e.g.*, there were financial agreements which could not be registered and made public, as well as agreements in regard to executive details bearing on the application of treaties. He accordingly moved the following resolution, which it was agreed should be taken in two parts and separately voted on:—

"The Assembly, taking note of the proposal for the amendment of Article 18 contained in the report of Committee I., decides to adjourn the further consideration of this amendment until the third Assembly, it being understood that in the meantime Members of the League are at liberty to interpret their obligations under Article 18 in conformity with the proposed amendments."

The first part of this resolution, as regards the postponement of amendment of Article 18 to the next Assembly, was carried unanimously, while the second portion, concerning the liberty of Members of the League to interpret their obligations in conformity with the proposed amendments pending the adoption of the latter, was carried by 22 votes to 5. Subsequently, however, the point was raised that as unanimity was required the resolution was lost, and the President ruled accordingly, (Appendix II., Resolution 24.)

Articles 5 and 26 (Method of effecting Amendments).

30. The Committee discussed the correct procedure in regard to amendments to the Covenant, having regard to the terms of its Articles 5 and 26. The former Article lays down that, except where otherwise expressly provided, resolutions at any meeting of the Assembly must be unanimous, and for this reason, in various cases last year, there was substituted for a formal resolution, in respect of which unanimity could not be obtained, a mere recommendation by a majority.

Article 26 of the Covenant lays down that "amendments to the Covenant will take effect when ratified by the Members of the League whose representatives compose the Council, and by a majority of the Members of the League whose representatives compose the Assembly." No such amendment shall bind any Member of the League which signifies its dissent therefrom; but in that case it shall cease to be a Member of the League.

31. There were, as a result, two schools of thought. One maintained that if an ordinary resolution required unanimity, this should *a fortiori* be necessary in regard to the far more important matter of amendment of the terms of the Covenant, and that Article 26 merely indicates what was to take place when, on unanimous resolutions of the Assembly and the Council, such amendments were passed on for formal ratification by the Governments of the League States.

The other school maintained that Article 26 must be taken as self-contained, and that unanimity was not necessary *quâ* resolutions for amending the Covenant, in view of the subsequent ratification procedure laid down, whereas in the case of ordinary resolutions, as the ratification safeguard did not exist, unanimity was requisite.

Among the supporters of the former view were the Netherlands and French Delegates. Among those who took the view that amendments to the Covenant could be dealt with entirely with reference to Article 26 were Mr. Balfour and M. Motta (Switzerland). Mr. Sastri held that, as the Covenant stood, Article 26 could not be dissociated from Article 5, and that the proper course would be to get a unanimous decision that Article 26 should cover all questions relating to Covenant amendments. Future procedure could then be by a majority.

32. In their final report, discussing the question whether Article 26 must be read as linked with Article 5, so that a preliminary resolution by the Assembly for amendments must be unanimous, the Committee said that this is not necessary, *i.e.*, that amendments can be dealt with entirely under Article 26, and they cited in support of this a speech made by President Wilson at the Peace Conference on the 28th April 1919, and, among other documents, a commentary on the Covenant submitted to Parliament by the British Government.

The prerogatives of sovereign States were, they considered, guarded by the ratification procedure required by Article 26.

They proposed, however, as an additional safeguard, that Article 26 should be amended so as to require a preliminary vote in the Assembly to be carried by a three-fourths majority, and that this majority must further include the votes of the representatives of all the Council States (permanent and temporary) represented at the meeting. Some other amendments they suggested will be followed from the text of their recasting of Article 26 which is given below, fresh matter as compared with the existing Article being in italics :—

“ Amendments to the present Covenant, the text of which shall have been voted by the Assembly on a three-fourths majority, in which there will be included the votes of all the Members of the Council represented at the meeting, will take effect when ratified by the Members of the League whose representatives composed the Council when the vote was taken, and by the majority of those whose representatives formed the Assembly.

“ If the required number of ratifications shall not have been obtained within 18 months after the vote of the Assembly, the proposed amendment shall remain without effect.*

“ The Secretary-General shall inform the Members of the putting into force of an amendment.

“ Any Member of the League which has not at the time ratified the amendment is free to notify the Secretary-General within a year of its refusal to accept it, but in that case it shall cease to be a Member of the League.”

33. After some discussion this resolution was approved by the Assembly on the 4th October (Appendix II., Resolution No. 23) by 37 votes, with none against (there were 14 abstainers or absentees), subject to an accepted amendment by M. Urrutia (Columbia) that the period of 18 months in respect of ratification should be extended to 22 months. M. Urrutia had likewise suggested that the period of one year referred to in the last clause of the resolution should be extended to two years, but this he subsequently withdrew.

*Action by the
Assembly*

34. The Indian Delegation voted for this amendment of the Covenant, as the proposal seemed to be an eminently reasonable one. It obviates the necessity of an unanimous assent of the Assembly to proposed amendments, which would on occasion be fatal to real progress, while the procedure now proposed gives adequate safeguard against action by narrow and possibly not very responsible majorities.

35. In the course of the discussion in the Assembly Sir James Allen (New Zealand) stated that, in order to avoid the possibility of “snatch votes,” he would ask his

* Extended to 22 months by the Assembly, *see* para. 33

Government to get placed on the agenda of the next Assembly the question of fixing a quorum for validity of decisions of the Assembly and of Committees (there is no such quorum rule at present), and of some amendment to Article 19 (5) of the Rules of Procedure, which lays down that in matters of voting abstaining representatives are put on the same footing as absentees.

36. Approval was also given by the Assembly to a recommendation put forward by Committee I. that during the present session the principle now proposed to be embodied in Article 26 in respect of the voting of resolutions be applied, *i.e.*, the Assembly was recommended not to pass any resolution for amendment to the Covenant unless it obtained a three-fourths majority and embodied the votes of the delegates representing Members of the Council. The Assembly further approved the proposal of the Committee that when amendments to Articles of the Covenant had been voted by the Assembly it was desirable, in order to expedite the process of ratification by the constituent States, that a protocol in regular form should be appended for signature by delegates who deemed themselves competent to give such signature on behalf of their Governments; this, of course, without prejudice to the necessity for subsequent ratification of such Governments (Appendix II., Resolution No. 23).

Article 4 (Non-permanent Members of the Council).

37. With reference to Article 4 of the Covenant, dealing with the composition of the Council of the League, the Belgian Delegate suggested that the number of non-permanent Members of the Council should be raised from four to six, his obvious desire being to make it more probable that Belgium would be re-elected by the Assembly at this session. It was decided that the question of augmentation of the number of Members of the Council should first be dealt with by the Council itself, and M. Noblemaire (France) considered that it would not be opportune to take any such decision at present while there were still great States who were not Members of the League. Finally, it was decided to inform the Council unofficially of the discussion.

*Action by the
Assembly.*

38. The Committee's report to the Assembly recommended that the non-permanent Members of the Council should, in future, be elected according to a system of rotation for a fixed period, and that the Assembly should this year renew for the year 1922 the appointment of the present members. In the absence of any decision with regard to the future number of non-permanent Members of the Council, the Committee considered it inexpedient to lay down precise rulings; it suggested, however, an amendment to Article 4, which was adopted, with the object of enabling the Assembly to fix rules for the election, terms of office and conditions of re-eligibility of the non-permanent Members. The resolution as finally passed by the Assembly will be found in Appendix II. (Resolution 32).

Article 5 (The Principle of Unanimity).

39. On the 6th October the Assembly adopted without discussion the conclusion of Committee I. as regards the first paragraph of Article 5 of the Covenant, to the effect that the question of derogations from the principle of unanimity was a matter not yet ripe for consideration (Appendix II., Resolution No. 36). But, as indicated above (para. 32), it has been decided that Article 5 does not cover resolutions having in view the amendment of the Covenant.

PROTECTION OF MINORITIES.

40. Professor Gilbert Murray had brought forward the following motion in the Assembly:—"That, in order effectively to carry out the duties of the League in guaranteeing the protection of minorities, the Council be invited to form a Permanent Commission to consider and report upon complaints addressed to the League on this matter, and, where necessary, to make enquiries on the spot." This was referred to Committee I. Having considered the Report of a Sub-Committee the Committee took note that a resolution adopted by the Council on 25th October 1920 met the desire expressed in Professor Gilbert Murray's motion. Professor Murray therefore withdrew his proposal.

AMENDMENT OF THE RULES OF PROCEDURE.

Article 20.

41. Lord Robert Cecil (South Africa) proposed in the Assembly an amendment of Article 20 regarding the taking of the "Appel Nominal." This was referred to

Committee I., which recommended the adoption of the proposal, with slight modifications. On the 23rd September the Assembly accepted the recommendation, which leads to more expeditious voting. Rule 20 as amended will be found in Appendix II. (Resolution 7).

Article 14.

42. Committee I. was asked by Committee IV. to give an opinion on the advisability of an addition to the second paragraph of Article 14 of the Rules of Procedure, providing that resolutions involving expenditure should not be voted by the Assembly before the Financial Committee had given its opinion on the advisability of the proposed expenditure from a ways and means point of view. Committee I., after examination by a Sub-Committee, recommended an addition to the second paragraph of Article 14 in this sense. The proposal was unanimously adopted by the Assembly on the 6th October (Appendix II., Resolution No. 31). *Action of the Assembly.*

Work of Committee No. II. (Technical Organisations: Transit, Health, Economic and Financial: Statistics.)

THE ECONOMIC AND FINANCIAL COMMITTEE.

43. This subject was introduced by interesting expositions from Sir Henry Strakosch and M. Avenol in respect of the work of the Financial Section of the Temporary Economic and Financial Committee.

44. Sir Henry Strakosch admitted that the world situation at present precluded any material alleviating action in regard to such matters as exchange and international credits. The much vaunted Ter Meulen scheme had, he was obliged to admit, hitherto proved a dead letter, no advantage having been taken of it. His explanation was that when the resolution was drawn up, the countries of the world were eager for goods, but had not ready money to pay for them; whereas now, owing to fall in prices, there was a glut. This latter proposition can, probably, only be accepted as partially applicable, and Sir Henry did not mention a very real factor, as against the adoption of the Ter Meulen scheme, that the States whose nationals were to obtain credits thereunder were unwilling to set aside State assets for the redemption of these credits, as the scheme contemplated. Sir Henry Strakosch indicated also that world conditions could not be materially improved till certain nations stopped their present free use of the printing press in supplying themselves with currency, and that it was as yet quite premature to consider a further international valuation of currencies in gold.

45. M. Avenol stated that he and his colleagues, after personal investigation in Vienna, had found that, if Austria received reasonable help, she would be able to help herself towards the recovery of her financial position. He said that the Austrian Parliament, with the full support of all parties, had made large additions to taxation to cover the gap between receipts and expenditure in their budgets, but that their action had been rendered inadequate by delay on the part of the States, who were to forego their liens on Austria, agreeing to suspend these, while the United States, whose assent was necessary, had not yet taken such action. Consequently there had been a very large further fall in the exchange, which reopened the gap between receipts and expenditure.

46. The Committee then took into consideration the reports of the Economic Section of the Provisional Economic and Financial Committee set up by the Council.

47. M. Ador (Switzerland), acting as *rapporteur* and also as President of the Joint Economic and Financial Committee, proposed to submit to the Assembly the following draft resolution:—

(1) The Assembly is of opinion that the constitution of a definitive Economic and Financial Advisory Committee, as contemplated by the Resolution of the 9th December 1920 on Technical Organisations, is not imperative during the forthcoming year; but considers that the Provisional Economic and Financial Committee should continue its work until the next Assembly in accordance with the Resolution of the Council of the 19th September 1921.

(2) The Assembly considers it to be of the greatest importance that the Provisional Economic and Financial Committee should carry out the programme of work indicated in the reports mentioned above, including the study of the following

questions:—Double taxation, the monetary situation, unfair competition, monopolies, unification of legislation relating to bills of exchange, commercial methods designed to obviate the risks arising from fluctuations of the exchanges. The Assembly also invites the Committee to make a general study of the provision of the Covenant relating to the equitable treatment of commerce.

(3) The Assembly agrees that it is not necessary to convoke at an early date a general Conference for the study of the principal financial and economic questions; and approves the proposal whereby the Council, if it considers it desirable so to do, may, with the advice of the Provisional Economic and Financial Committee, convoke consultative conferences of restricted scope for the examination of special problems.

(4) The Assembly regrets that the work of the reconstruction of the finances of Austria, in which the Provisional Economic and Financial Committee have been called upon to co-operate, should have been delayed by obstacles lying outside the control, not merely of the Committee, but of the League of Nations itself. The Assembly hopes that these obstacles will shortly be removed.

(5) The Assembly agrees to the proposal that the work of organising the International Credits Scheme should be pursued in the manner set out in the report submitted by the Provisional Economic and Financial Committee to the Council.

(6) The Assembly commends to the serious consideration of the Members of the League the general conclusions of the Report on Certain Aspects of the Raw Materials Problem, especially those calling attention to the effects that may be produced by artificial restrictions and duties on the export of essential raw materials on the economic life of other countries.

(7) The Assembly, recognising the intimate connection between the restoration of transport facilities and the supply and distribution of raw materials, expresses the earnest hope that every effort will be made to expedite the work of the various Commissions charged with such matters as reallocation and interchange of rolling stock in certain parts of Europe.

(8) The Assembly invites the Advisory and Technical Committee on Communications and Transit to consider the desirability of action being taken, under the provision which empowers the Council to call partial or regional Conferences to consider special matters, with a view to promoting the improvement of facilities for inter-communication and transport between those States whose transport systems have specially suffered from disorganisation.

48. It will be seen that the raw materials question was mainly dealt with in clause 6 of the draft resolution, which refers to a report on the raw materials problems printed in Appendix III. (Annex I). This report will repay perusal, and special attention is invited to the fact that the Economic Section fully endorse the view which Sir William Meyer expressed last year on behalf of India as to the incontestable right of States to dispose freely of their internal resources and, in exceptional circumstances, to reserve these to themselves; also to impose export duties, where this was deemed necessary, as a means of raising revenue. They likewise condemned any scheme of international rationing. Consequently, clause 6 of the resolution was of no danger to India, and indeed strengthens her position. The passage at the end of the clause as to artificial restrictions and export duties does not apply to India's policy, but to one deliberately intended as a means of economic warfare and to special differentiation against particular nations.

The word "especially" which introduced this passage was, however, on an amendment by Sir George Perley (Canada) altered to "including," which is an improvement.

49. There was a long discussion on the various clauses, and it will suffice to note that (a) the representatives of Serbia, Italy, France and Brazil were emphatic about the necessity of remedying the disorganisation of the world's credit and exchanges, but made no practical suggestions as to how this excellent object was to be attained; (b) the Japanese delegate (M. Adatci) pressed for an addition, with reference to the last sentence of clause 2, which invites the Economic and Financial Committee to make a special study of the provisions of the Covenant (Article 23 (e)) relating to "the equitable treatment of commerce." M. Adatci wished to hasten things, and proposed that the Committee should proceed to this at once, and formally draft a convention which might be approved by the next Assembly.

Sir H. Llewellyn Smith and M. Ador deprecated undue haste in regard to this delicate matter, and pointed out that the actual meaning of the term "equitable treatment for the commerce of all Members of the League" in Article 23 (e) of the

Covenant was open to various interpretations. Did it, for instance, on the principle of *ejusdem generis*, refer primarily to freedom of communications and transit, or did it go further? M. Adatci accepted a proposal by Sir H. Llewellyn Smith that there should be no mention of a convention, but that the Provisional Economic and Financial Committee should be asked to report as soon as possible.

It may be mentioned in this connection that the words "unfair competition" used in clause 2 of the resolution refer, as will be seen from the Raw Materials Report, to false trade marks, actions of private traders, such as giving incorrect descriptions of goods, &c., and that the word "monopolies" apparently refers to the operations of commercial trusts and does not apply to Government monopolies such as salt, tobacco, or, in India, opium production.

50. After a lengthy discussion on various suggestions, which were more of wording than of substance, it was finally decided to refer these suggestions to the consideration of a Sub-Committee consisting of M. Ador (Switzerland), Sir H. Llewellyn Smith (Great Britain), M. Ferraris (Italy), M. Hanotaux (France), and M. Adatci (Japan). If they were agreed in regard to amendments (of form, not of substance) to the resolution, they might be treated as plenipotentiaries of the Committee, and the resolution, as amended, by them could be submitted to the Assembly without a further full meeting. If, however, there were divergences of opinion, Committee II. would meet again. It was understood that any member of the full Committee dissatisfied with conclusions which the drafting Committee had arrived at, would be at liberty to ventilate the question in the Assembly.

51. At the meeting of the Assembly on the 28th September, M. Ador (Switzerland) brought forward the resolutions as finally drafted, and they were passed unanimously. These will be found in their final form in Appendix II., Resolution No. 13. There were some alterations in wording as compared with the original draft, which are indicated in italics.

*Action by the
Assembly*

COMMUNICATIONS AND TRANSIT.

52. After an opening speech by M. Hanotaux (France) dealing generally with the proper functions of the technical organisations of the League, M. Adatci (Japan) made an *exposé* of the report of the Advisory and Technical Committee on Transport with reference to the decisions come to at the Barcelona Conference, and a resolution for submission to the Assembly was carried to the following effect:—

"Without prejudice to the terms of para. 4 of section I. of a Resolution of 9th December 1920, relating to the Organisation for Communications and Transit, the general conferences on communication and transit shall meet, as of right, at the seat of the League, on the request of one-third of the Members of the League. Such request shall be addressed to the Secretary-General of the League, and the Agenda of the Conference should be attached to the request. It shall be the duty of the Secretary-General to convene the Conference."

The effect of this was that, whereas under the arrangements come to last year a new general conference on communications and transit could only be called by a unanimous decision of the Council, there would now be an alternative method of having it summoned at the request of not less than one-third of the total number of constituent States of the League.

It may be noted that, as regards the additional protocol to the Waterways Convention drawn up at Barcelona last spring, which it had been decided that Sir William Meyer might sign on behalf of India, it was not possible for him to do so, as the necessary full powers had not arrived at the time the Assembly broke up.

53. Two other resolutions, put forward by M. Adatci, were also carried. The first of these expressed satisfaction at the fact that a number of States had already carried out the recommendations of the Conference held in Paris in October 1920 as regards simplification of formalities connected with the obtaining of passports and visas, the reduction of passport prices, and the unification of passport regulations. The resolution went on to draw the attention of all States which had not yet progressed in this direction to take similar measures.

The second asked that all possible facilities should be given to the members of the various committees of the League in the matter of passports, particularly as regards visas and the period of their validity.

54. M. Avramovitch (Serb-Croat-Slovene State) drew attention to the fact that the Technical Committee appointed by the Conference at Barcelona, which consisted, besides the four representatives of States permanently belonging to the Council of the

League, of 12 other members elected by the Conference, did not include any representative of the Danubian States, although these were most materially interested in questions of international transit, &c. He took note of the remarks of M. van Eysinga (Netherlands), who is President of this Technical Committee, that they were endeavouring to remedy this to some extent by calling in as technical assessor a Serb representative. M. Avramovitch was, however, not satisfied with this. He wanted actual representation on the Committee, and put forward a resolution that the Assembly should take steps to add to the Committee one representative at least of the Danubian States. This proposal was criticised by Sir William Meyer and other delegates, e.g., M. Hanotaux (France), M. Adatci (Japan) and M. van Eysinga (Netherlands), on the ground that while they felt full sympathy with the position of the Danubian States, and regretted that the Barcelona Conference did not give them representation on the Technical Advisory Committee, they could not agree to go outside the constitution of that Committee as laid down by the Assembly last year, one of the Assembly's objects having been to keep down the numbers.

Sir W. Meyer pointed out, too, that Article 293 of the Treaty of Trianon provided for a Special Commission on the Danube waterways, and that the Council had taken steps to call it into existence.

M. Avramovitch's resolution was rejected in favour of one proposed by M. Hanotaux (France) to the following effect:—

“The Assembly takes note of the designation by the Advisory Committee for Communications and Transit of a railway expert national of a riparian State of the Danube, and invites the Committee to proceed also, in its next session, to the designation of one or more than one other experts, specially qualified in the different matters dealt with by this Committee and nationals of other riparian States of the Danube.”

Action by the
Assembly.

55. The resolutions were brought up by M. Adatci at the Assembly on the 22nd September. The first, referred to in para. 52 above, which provided for a conference to meet at any time at the request of not less than one-third of the constituent States of the League, was amended at the suggestion of Sir George Perley (Canada) so as to make the requisite number one-half. The other resolutions referred to in para. 53 above were passed as they stood, and are printed in Appendix II., Resolution No. 6.

THE HEALTH ORGANISATION.

56. This subject was dealt with by the Assembly last year, when it was proposed to bring the *Office International d'Hygiene Publique* in Paris under the control of the League. The organisation to be set up was:—(a) A General Committee; which was in effect the body of representatives of the *Office International*; (b) a Standing Committee, which was to be constituted thus:—Five members elected by the General Committee (i.e., by the *Office International*) having regard to their scientific attainments and to geographical representation, the President of the General Committee, a representative of the League of Red Cross Societies, and a representative chosen by the Governing Body of the Labour Organisation; besides four representatives of the States permanently sitting on the Council of the League. That made in all 12 members.

The scheme had broken down because the United States declined to have anything to do with the League, and the *Office International*, to which the United States of America belongs, must, therefore, remain independent. The solution now put forward was that the League should constitute its organisation independently, and that the personnel of this organisation should, to a large extent, be drawn from the *Office International*. The proposal of the Council was that the Provisional Technical Committee should be composed of not more than 12 persons, invited to sit on the strength of their technical qualifications (and not of their nationality), together with a representative of the International Labour Office and one of the League of Red Cross Societies—in all 14 members, as against the original 12.

57. M. Rivas Vicuna (Chile), who was the *rapporteur*, put forward the following draft resolution:—

“The Health Organisation of the League shall provisionally include a Health Committee, the Secretariat of which, appointed by the Secretary-General of the League of Nations and responsible to him, shall be controlled by a Medical Director.

“The Epidemics Committee of the League shall form one section of the Health Committee.”

The Portuguese delegate took exception to this, and Sir W. Meyer supported him, pointing out that the Council had materially altered the composition of the Committee as laid down by the Assembly last year. All mention of selections being made with reference, *inter alia*, to geographical considerations—a criterion which India strongly pressed last year and which the Assembly approved—had now disappeared from the Council's proposal for the constitution of the Technical Committee; and the latter now included 14 members, whereas the Assembly, in the interests of economy, had resolved to limit the Committee to 12.

Sir W. Meyer said that he did not consider the action of the Council to be in accord with the Assembly's policy, and that the Assembly ought not to submit to its being thus set aside. He recognised, in answer to representations made by the President of the Paris *Office International* (M. Velghe), who was present and was invited to address the Committee, and others, that the matter was urgent, having regard to the present position in respect of epidemic disease, but that did not justify the Committee in practically advising the Assembly to abrogate its functions. He suggested, therefore, the addition of a rider to the draft resolution to the effect that, in view of the urgency of the situation in respect of international health, the Assembly accepted the constitution of the Technical Committee proposed by the Council, but that it did so without prejudice to its full right of control over the constitution of Standing Committees. With some modification of wording this proposal was carried, as also an amendment by Sir Rennell Rodd in respect of amplification of the original resolution.

The representative of Denmark (Mlle. Forchhammer) pleaded that an International Committee should include at least one woman member, and this, though opposed by the President, found favour with the Committee generally.

Finally, a sub-Committee was appointed, consisting of M. Rivas Vicuna, Sir Rennell Rodd, M. La Fontaine and Sir W. Meyer, to come to a general agreement in regard to the precise drafting to be put before the Committee at its next meeting.

58. There was also some discussion as to the danger of overlapping as between the Paris International Body and the League's Committee, and Sir W. Meyer asked whether it might not be preferable to work through the former and to give them a subvention. The latter proposal did not, however, find favour, and as regards the former it was agreed that, in view of the urgency of the situation, matters had better stand as proposed till next year.

59. At the Assembly meeting on the 8th October M. Rivas Vicuna (Chile) submitted, with an explanatory report, the resolution as finally drafted by the sub-Committee and approved by the full Committee. It was carried unanimously, with a reservation by the Portuguese Delegation, under instructions from its Government, as to the future settlement of difficulties which it considered might arise by reason of the separate functions of the International Health Office in Paris and the League Organisation. The resolution in the form adopted by the Assembly is printed in Appendix II. (Resolution No. 37). *Action by the Assembly*

THE ORGANISATION OF INTERNATIONAL STATISTICS.

60. This item had been placed on the Agenda at the request of the Netherlands Government. M. Ferraris (Italy), as *rapporteur*, submitted a lengthy *exposé*, and the Committee voted a resolution, which had been tabled by the representatives of Great Britain, France, Italy and Switzerland. The principal recommendations contained in this resolution were those that commended to the Technical Organisations of the League the conclusions of the Economic and Financial Committee for the purpose of avoiding overlapping, and decided that statistics in the scientific sense will not be undertaken by the League so long as the question of the organisation of international statistics has not been decided, and that this question is entirely deferred until the next session.

Sir W. Meyer had previously been consulted about the resolution, and said that it would quite meet the objections of the Government of India, as set forth in Mr. Innes' letter of 4th August last to the Under Secretary of State, in which that Government took exception to the proposals suggested by both the majority and minority reports of the International Statistical Commission of 1920.

The resolution was adopted by the Assembly without discussion on the 27th September. (Appendix II., Resolution No. 12.) *Action by the Assembly*

Work of Committee No. III. (Armaments, Economic Weapon).

ARMAMENTS.

61. The Committee first of all discussed matters arising out of the Report of the Temporary Mixed Commission (including Civilian representatives as well as Military, Naval and Air experts) on the Reduction of Armaments.

The report began with a short statement on the present political situation of the world, and the difficulties which had to be encountered. In the present position of the world, it would be idle to hope for simultaneous disarmament.

The report then alluded to the Washington Conference, and to the precarious financial condition of the world, a condition which necessitated a reduction of armaments.

The Commission had divided itself into three Sub-Committees: the first had considered the questions of private manufacture, and the arms traffic; the second had examined the right of investigation and mutual control; the third had undertaken a statistical enquiry.

The report of the third Sub-Committee emphasised the necessity for a statistical enquiry to show the extent of military and naval expenditure in the various countries, and the diminution or increase of armaments. The Sub-Committee had been unable to put forward any definite scheme of statistics; it had merely outlined the guiding principles of such an enquiry, and had prepared a draft of a *questionnaire* which was doubtless far from perfect, but calculated nevertheless to furnish very valuable information.

As regards the private manufacture of arms, the first Sub-Committee had not come to any definite conclusion, but it had nevertheless clearly shown the desirability of conducting an exhaustive enquiry, with a view to the preparation of a code of rules regulating private manufacture, which, when drawn up, could be submitted to the various Governments. This code should be adopted by all nations whether they belong to the League of Nations or not, for, supposing that any country—the United States, for instance—did not conform to it, any attempt at control would be useless.

The report then dealt with the arms traffic question in the light of the Convention of St. Germain, which was signed by the United States.

62. In Committee III. M. Schanzer (Italy) moved a resolution approving the statistical enquiry into armaments. This was amended, and redrafted by Lord Robert Cecil at the request of the Committee, which then proceeded to deal with the question of the private manufacture of arms. With reference to the proposal of the Temporary Mixed Commission that an International Conference should be held on this subject, Lord Robert Cecil, supported by the delegates of the Netherlands, Norway and Siam, suggested that the Conference should be held in June next. This was, however, rejected by 10 votes to 7, and the proposal of the Temporary Commission, amended by M. Schanzer, was carried in the following form:—

“The Assembly requests the Council to invite all the Members of the League, and interested States which are not Members of the League, to take part in an International Conference on the private manufacture of arms and on the traffic in arms, which should meet as early as possible, at a date to be fixed under the responsibility of the Council. It is considered highly desirable that this date should be prior to the next session of the Assembly. The Temporary Mixed Commission should be entrusted with the task of preparing the programme of the Conference and of submitting to it a draft convention.”

The Committee then adopted three draft resolutions proposed by Mr. Fisher, urging upon the Governments early signature and ratification of the Arms Traffic Convention, and inviting the Council to prepare a draft protocol making provision for excluding the import of arms and ammunition in time of peace from countries in which the traffic is uncontrolled.

Lord Robert Cecil proposed a motion in regard to the destruction of surplus stocks of munitions. Mr. Fisher pointed out that the adoption of such a proposal would depend on the ratification of the Convention of St. Germain. It was decided that Lord Robert Cecil and Mr. Fisher should jointly draft a motion with reference to this matter.

63. Eight resolutions proposed by Lord Robert Cecil regarding armaments were then considered. The first, expressing a desire that the Temporary Commission should continue its work, was adopted without discussion.

The second requested the Commission to propose a scheme for the limitation of armaments, to be presented to the next Assembly in the form of a draft treaty, which should be published by the end of June 1922. Much discussion took place on this resolution, exception being taken to its terms chiefly on the grounds that under the Covenant the duty of formulating plans for national limitations was placed upon the Council, and that the task it was proposed to lay upon the Temporary Commission was too heavy. Finally the principle was accepted, but the word "Council" was substituted for "Assembly," and a rider by M. Schanzer was added requesting the Council to reinforce the composition of the Temporary Mixed Commission.

The third resolution proposed to forward once more to all Members of the League the recommendation of the First Assembly that States should not "exceed for the next two financial years following the present year the sum total of expenditure on military, naval and air forces provided for in the budget of that year." This was accepted with the proviso that it should again take the form of a recommendation and not of a resolution.

The fourth resolution, which proposed that all rights of investigation conferred upon the Council by Article 213 of the Treaty of Versailles should be made applicable to Members of the League as soon as a scheme for the reduction of armaments had been accepted, was opposed by M. Reynald (France) and Mr. Fisher. Lord Robert Cecil thereupon withdrew it.

The fifth extended a welcome to the Washington Conference, and was adopted with slight amendments.

The sixth made an appeal to men of science to publish their discoveries in poison gas and similar matters, as this would militate against the use of such discoveries in war. Mr. Fisher pointed out the futility of such a resolution, and as finally amended and passed it referred the advisability of making such an appeal to the consideration of the Temporary Mixed Commission and the Permanent Advisory Commission.

The seventh and eighth resolutions, urging the desirability of propaganda in favour of the reduction of armaments and the necessity of strengthening the Secretariat organisation, were carried with slight amendments.

64. The report of the Committee is printed as Appendix III., Annex 2, and contains in its last portion a striking description of the general position in respect to armaments and the possibilities of future advance in the way of reduction. It was presented to the Assembly by Lord Robert Cecil on the 1st October, and led to a lengthy debate. Lord Robert Cecil initiated this, and gave a full explanation of the genesis and scope of the recommendations submitted.

*Action by
the Assembly*

Mr. Bruce (Australia) laid stress on the anxiety of his country with its 12,000 miles of seaboard, to have the armaments peril dissipated, and Mr. Branting (Sweden) supported the general thesis of the Committee, as also M. Schanzer (Italy). M. Noblemaire (France) made a very fine speech, stating that his Delegation adhered without reserve to the proposals before the Assembly. France remained pacific, and it was not her fault if the League had not been given adequate means to ensure peace. She was willing to go as far as possible to realise a plan for the limitation of armaments, but there must be two necessary conditions—the completion of the disarmament of certain nations in conformity with the treaties and the organisation of a right of investigation. France was industrious and peaceful. Why should there not be a place for a peaceful and free Germany? France desired the reparations due to her under the treaties of peace and under the Covenant. She must have securities for the future, and she had already accomplished what might be called moral disarmament, but this had not been the case as yet with Germany. Her motto was, "*Si vis pacem, para pacem.*"

Mr. Fisher (Great Britain) congratulated M. Noblemaire on his speech, and agreed with a remark by M. Branting (Sweden) that regional understandings would do much towards the establishment of a lasting peace.

The resolutions put forward by the Committee were finally embodied in a resolution proposed by M. Schanzer (Italy) which was passed unanimously (Appendix II., Resolution No. 19).

ECONOMIC BLOCKADE.

65. A report had been submitted on this subject by a Special Committee appointed by the Council. This body indicated the difficulties in the

application of Article 16 of the Covenant, *e.g.*, that great exporting countries are still outside the League; that the cutting off of food supplies of the civil population of a defaulting State is an extremely drastic measure, which ought only to be applied in the last resort; and that it is difficult for an independent State to accept, without question, the opinion of the Council, or of a majority of the Members of the League, as to a violation of the Covenant having taken place. On the other hand, it was necessary for all States alike to apply punitive measures.

66. The proposals of the Special Committee gave rise to a good deal of discussion on various suggested amendments, and it was decided to ask M. Schanzer (Italy), with the assistance of Lord Robert Cecil, to draft a report on the matter.

67. The report finally evolved is printed as Appendix III. (Annex 3), and will repay perusal. The main resolution was that which proposed that Article 16 of the Covenant should be re-drafted as follows:—

Article 16.

(1) Should any Member of the League resort to war in disregard of its covenants under Articles 12, 13 or 15, it shall *ipso facto* be deemed to have committed an act of war against all other Members of the League, which hereby undertake immediately to subject it to the severance of all trade or financial relations, the prohibition of all intercourse between persons residing in their territory and persons residing in the territory of the Covenant-breaking State, and the prevention of all financial, commercial or personal intercourse between persons residing in the territory of the Covenant-breaking State and persons residing in the territory of any other State, whether a Member of the League or not.

(2) Nevertheless, the Council may in the case of particular Members postpone the coming into force of any of these measures for a specified period where it is satisfied that such postponement will facilitate the attainment of the object of the measures referred to in the preceding paragraph, or that it is necessary in order to minimise the loss and inconvenience which will be caused to such Members.

(3) It shall be the duty of the Council to recommend to the several Governments concerned what effective military, naval or air force the Members of the League shall severally contribute to the armed forces to be used to protect the Covenants of the League.

(4) The Members of the League agree, further, that they will mutually support one another in the financial and economic measures which are taken under this Article, in order to minimise the loss and inconvenience resulting from the above measures, and that they will mutually support one another in resisting any special measures aimed at one of their number by the Covenant-breaking State, and that they will take the necessary steps to afford passage through their territory to the forces of any of the Members of the League which are co-operating to protect the covenants of the League.

(5) The Council has to give an opinion as to whether a breach of the Covenant has taken place or not. When the Council gives such an opinion, the votes of the State charged with having committed a breach of the Covenant and of the State bringing the charge, no matter whether these States are Members of the Council by virtue of Article 4, paragraph 1 of the Covenant, or have been specially summoned, shall not be reckoned in determining whether or not there has been a unanimous decision.

(6) Any Member of the League which has violated any covenant of the League may be declared to be no longer a Member of the League by a vote of the Council, concurred in by the representatives of all the other Members of the League represented thereon.

Clauses (1), (3), (4) and (6) correspond to those of the existing article, save that in clause (1) for the word "nationals" has been substituted "persons residing in the territory of a Covenant-breaking State" or other States.

Clause (2) is new, and provides for delay in carrying out the measures requisite on the part of States which are specially circumstanced, *e.g.*, small States which abut on a large Covenant-breaking Power and might be subject to hostile action on its part.

Clause (5) indicates that when the Council has to take a decision, the votes of States which are charged with having committed a breach of the Covenant and of their accusers shall not be reckoned.

There were also various subsidiary and explanatory resolutions.

The second of these, apart from the amendment to Article 16, which was separately tabled, dealt with questions of procedure, and emphasised the point taken last year that each State must in the last resort decide for itself whether there has been a breach of the Covenant sufficient to justify its taking part in effective measures. If, however, it decides that there has been such a breach, it is bound to take adequate action.

The third, apart again from amendment of Article 16, related, *inter alia*, to the date at which effective measures should be undertaken, and provided that that date shall be fixed by the Council. It interpreted the word "immediately" in the first clause of Article 16 as meaning really "action as soon as possible."

The fourth explained the measures to be adopted prior to and during the actual economic blockade.

68. The report of the Committee occupied the greater part of two sittings of the Assembly on the 26th September.

It was decided that, as regards the substantive amendments to Article 16 of the Covenant proposed by the Committee (to which M. Reynald, of France, took exception in respect of the substitution in the first paragraph of "persons residing in their territory" for "nationals,") specific amendments to the Article should be held over pending their consideration, from a drafting point of view, by Committee No. I. *Action by the Assembly.*

69. At a subsequent meeting the Assembly had before it the conclusions of Committee No. I regarding the substantive resolutions amending Article 16 of the Covenant.

A supplementary resolution had been put in to the effect that the main resolutions on the subject of the economic blockade should only be regarded as provisional rules for guidance until the amendment of Article 16 has been definitely carried out as provided by Article 26 of the Covenant.

The Assembly finally passed, with drafting modifications suggested by Committee I., the resolutions involving amendments to the Covenant, with no dissentient votes, though there were some abstentions and absentees. The resolutions of the Assembly on the whole subject of economic blockade, including the subsidiary resolutions, will be found in Appendix II., Resolution No. 22.

Work of Committee No. IV. (Finance and Organisation).

ORGANISATION OF THE SECRETARIAT AND OF THE INTERNATIONAL LABOUR OFFICE.

70. At the meeting of the 8th September the early paragraphs of the Report of the Special Committee on Organisation, appointed on the recommendation of last year's Assembly, were taken up. Copies of this report were sent by Sir W. Meyer to the India Office and to India, and it need not be reproduced here. M. Noblemaire (France), who was Chairman of that Committee, was the French representative on Committee IV., and Colonel Johnson, of the British Treasury, who had been M. Noblemaire's principal coadjutor and had drafted the Special Committee's report, also attended.

Committee IV. started by dealing with a suggestion by the Noblemaire Committee that considerable economy might be effected if the seat of the League were moved to some less expensive place than Geneva. The Swiss representative (M. Usteri) naturally took exception to this, and maintained that Geneva was not more expensive than sundry other places. Some delegates observed that the seat of the League must be determined by political as well as financial considerations; that if there was any question of moving it, it was for the Council to take action, and the Council were now in possession of the remarks of M. Noblemaire's Committee. Finally it was decided, on a proposal by Sir Rennell Rodd (Great Britain), that as the question of the seat of the League was not governed exclusively by financial considerations, the Committee, while taking note of the opinion expressed by the

Committee of Experts regarding the cost of living in Geneva, left the question to be decided elsewhere.

71. The Noblemaire Committee had drawn attention to the large amount of postal and telegraph charges, and pointed out that these were swollen by the high rates prevailing in Switzerland. They suggested that the Swiss Government should be approached in order, if possible, to obtain a reduction in postal and telegraph rates, but Colonel Johnson had to admit that the suggestion they made of a specially reduced rate for League correspondence would throw a heavy burden on to Switzerland, as she would have to pay the same amount she does now to the countries over which such correspondence is carried.

As regards telegrams, it had been suggested that these might be charged for at the reduced rates given to diplomatic messages. The Swiss representative on the Committee (M. Usteri) said that Switzerland would be ready to examine this suggestion sympathetically, and it was decided that the Secretary-General should make the necessary overtures.

72. In respect of para. 18 of the Report, which deals with salaries, Sir William Meyer pointed out that, if the Committee were to accept a resolution regarding the composition of the Secretariat, which he proposed to bring forward on a later occasion, it would no longer be necessary to base the rates of salaries of the Secretariat upon those of the British Civil Service, as the number of British civil officials employed in the Secretariat would eventually be so considerably diminished that it would be possible in their cases to give a special personal allowance, while the pay of the staff as a whole could be based on the more economical scale which applies on the Continent. This suggestion did not find favour. It was, however, admitted that the rates of salary laid down in Appendix II. to the Report must be reduced with reference to the recent reduction in the emoluments of the British Civil Service, and a revised scale embodying 75 per cent. of the reduction effected in England was agreed to. It was explained that the variable proportion of salaries was intended to meet the cost of living, *plus* expatriation allowance, and that this would not be affected.

Sir William Meyer asked Colonel Johnson whether his Committee had considered not merely the competence of the higher officers to perform their work, but whether, in some cases, this work could not be as satisfactorily done by lower paid employes. Colonel Johnson replied that he was satisfied that there was no waste of power and money in that respect; this assurance had to be accepted for the present.

73. Some discussion took place on the proposal, in para. 24 of the Report, that a Salaries Adjustment Committee to be set up should contain three representatives of the staff of the Secretariat and three of the International Labour Office. A Canadian proposal that business would be expedited by cutting down these representatives to two in each case was eventually withdrawn. The Report proposed that the States of the League should be represented on the Salaries Adjustment Committee by arbitrators not members of the staff, whose decision would be final in any question of disagreement, so that the staff representatives are rather assessors than complete members. Moreover, any recommendation made by the Committee would be submitted to the Council, or, in the case of the International Labour Office, to the Governing Body, for their approval. M. van Eysinga (Netherlands) asked who would decide in the case of disagreement between the arbitrators, to which M. Noblemaire (France) replied that the decision would rest with the Council or the Governing Body of the Labour Office as the case might be. Sir W. Meyer suggested that three arbitrators should be appointed instead of two to facilitate settlement of differences, but this was not accepted. He also criticised the proposal to make a reference to the Governing Body of the Labour Office final, and pointed out that it had been definitely settled last year that that body was subordinate to the Council and to the Assembly. Sir James Allen supported him on this point, and suggested that, in regard to the Labour Office, the report of the arbitrators should be submitted *through* the Governing Body to the Council, otherwise, apart from the general question of prerogative, there might be divergent decisions *qua* the Secretariat and the Labour Office. After some discussion, M. Adatci (Japan) proposed the following resolution:—

“The Committee, being desirous of confining itself to practical questions, has decided not to enter on a discussion of the relations between the International Labour Office and the Council of the League of Nations.”

After a harangue by M. Albert Thomas (Director of the Labour Office) on the functions and prerogatives of the Labour Organisation, M. Adatci's proposal was carried, with the following rider, by the delegate of Brazil:—

“ This conclusion must conform to the general provisions of the Budget adopted by the Assembly.”

74. Para. 30 of the Report, dealing with expatriation allowance, was then considered, and approved. Sir William Meyer pointed out that this allowance appeared to be 50 per cent. on salary, in many cases, after allowing for the increased cost of living in Geneva, and compared this with the far smaller Indian overseas allowance. He also asked how the total calculation was made up: whether, for instance, a British salary of 200*l.* a year became 200*l.* plus 20 per cent. (40*l.*) for the cost of living, plus 50 per cent. of 240*l.* = 360*l.* The reply was that 200*l.* becomes 300*l.* plus 20 per cent. of 200*l.* = 340*l.* With reference to the proposal in para. 31 of the Report that Governments should be asked to exempt their nationals employed in the Secretariat from income tax, Sir William Meyer pointed out that if this were done the salaries annually paid would be in fact considerably more than the salaries paid in the British Civil Service, as a British civil servant was heavily mulcted in income tax. The question of agreeing to the proposals in the Report was then put to the vote, and carried.

75. On the subject of para. 35, regarding the desirability of fixed scales of subsistence allowances for experts and others who compose the advisory and technical bodies, Sir Herbert Ames (the Financial Director of the Secretariat) stated that, in fact, the subsistence allowances paid to those visiting Geneva to assist in the work of the League varied from 70 to 125 gold francs. He said that the Secretariat was of opinion that a fixed rate of 70 gold francs (corresponding roughly to 80 Swiss francs) was desirable, but it was a matter which could only be settled by the Assembly, as these varying rates had been approved by the Council when they had set up the different Commissions. It was eventually decided to adopt a resolution to the effect that a fixed rate of 70 gold francs should be definitely laid down, except in cases where any especially eminent persons were invited to preside over Conferences, in which case the Council would be empowered to make special arrangements.

76. On the 19th September the Committee proceeded with the consideration of paras. 36-39 of the Expert Committee's Report, in which it was recommended that the sumptuary allowances of certain high officials of the Secretariat, viz., the Secretary-General, the Deputy Secretary-General, and the Under Secretaries, should be reduced, and that the Secretary-General should, for the present, receive a special allowance of 1,000*l.* a year in lieu of the free house to which he is entitled under the terms of his engagement.

As regards the sumptuary allowances, the high officials in question can retain the whole of their existing allowances for the present under their contracts, and it is much to their credit to have consented to give up a portion.

As against such surrender, it was proposed that there should be a general Entertainment Fund or “pool,” to be administered by an officer of the Secretariat specially appointed for this purpose, and to provide funds for entertainments outside the scope of the reduced sumptuary allowances. Having ascertained that the officer to administer the “pool” would be drawn from the existing staff and not represent a fresh appointment, Sir William Meyer carried an amendment laying down that the total amount to be credited to the “pool” should not exceed the total of the sums surrendered by individual officers, otherwise the “pool” might lead to increased expenditure.

Sir Rennell Rodd (Great Britain) proposed that the officer administering the “pool” should also be entrusted by Members of the League with the task of making arrangements regarding accommodation of their representatives and officials visiting Geneva, and pointed out that this ought to lead to material economy, since at present individual representatives or delegations were at the mercy of Swiss hotel-keepers. This, also, was carried.

77. Discussion then took place on a resolution tabled by Sir William Meyer, in regard to the enormous preponderance in the Secretariat and the Labour Office of representatives of Great Britain, France, and Switzerland, and the inadequate, or absolute lack of, representation of the various other countries, India, for example, having only one clerk in the Secretariat and no representation at all in the Labour

Office. The text of this resolution, which was based on tables compiled from information furnished by the Secretariat itself, is printed in Appendix IV. (Annex 2).

It was not expected that the resolution would be carried as put forward, since it prescribed maximum percentages for each country, but it was very desirable to ventilate the question as a means of putting pressure on the Secretariat and the Labour Office. The resolution called forth speeches from Sir Eric Drummond and M. Albert Thomas, the head of the Labour Office, who had attended, in which they held that it was impossible to have a rigid application of the principle of national representation, that it was inevitable that, as English and French were the official languages, those two countries should have a specially large representation, and that the Swiss representation was in the interests of economy, being largely applied to minor posts, which it would cost more to fill up from abroad.

After some discussion Sir George Perley proposed the following as a substitute for Sir William Meyer's resolution:—

“That it is extremely desirable, especially in the higher administrative positions, that the Secretariat of the League and of the International Labour Office should, as far as possible, be recruited in fair proportions from the various States Members of the League, and that this principle should be carefully borne in mind in filling future vacancies, always having regard to the requirements of efficiency.”

This resolution was accepted by Sir William Meyer, and carried unanimously.

It may be mentioned that M. Thomas has already acted on it by asking Sir Louis Kershaw to advise in the selection of an Indian for a fairly important post in the Labour Office.

78. With reference to the proposal in para. 46 (a) of the Report, that the higher officials—those of the rank of Directors and upwards—should not hold office for more than seven years, some discussion arose as to whether extension of service might not be granted to such officers, if they were specially valuable.

It was decided that when an officer's time had elapsed his engagement should be taken as definitely terminated, but that, for special reasons, he might obtain a fresh engagement.

79. With reference to paras. 48–52 of the Report, it was agreed that the normal period of service should be 28 years for the subordinate staff and 21 years for the intermediate staff, *i.e.*, those below the high officials already mentioned. It was decided, however, that an officer of this intermediate class, or upper division as it may be called, might normally continue up to 55 years of age, if that would be necessary to complete his 21 years' service.

80. Discussion then took place on the deferred pay scheme set forth in Appendix IV. to the Report, the gist of which is that employes should contribute a proportion of their salaries, say 10 per cent., to what may be called a Provident Fund; that this fund should be swelled by equal contributions from the purse of the League; and that on retirement an officer would normally get the amount of his contributions *plus* the League's addenda with compound interest on the same.

It was generally accepted that such a scheme was desirable, but various points were raised as to its specific application, *e.g.*, as to whether a uniform 10 per cent. contribution was a fair one, and whether it would not be preferable to have higher contributions from the higher officials and lower from others. Finally, it was decided to accept the principle of the scheme, but to refer the working out of specific proposals to the Salaries Adjustment Committee referred to in para. 73, with instructions to report in time for the matter to be finally decided next year.

M. Reveillaud (France) and Mr. Bruce (Australia) pointed out the desirability of having the funds for this deferred pay scheme separately banked, and the Australian delegate made the further suggestion that it would probably be more economical to make terms for eventual payments to the staff with some big insurance amount standing to an officer's credit, if large, being converted into an annuity. These points will also be considered by the Salaries Adjustment Committee.

81. With reference to para. 42 of the report, exception was taken to the underlying idea that recruitment for the League staff should ordinarily be by competitive examination, special selection by the Secretary-General to obtain adequate representation of Member States in the League offices being put in quite a subsidiary place.

Sir William Meyer and other delegates pointed out that this was not in accord with the resolution recently adopted (*vide* para. 77 *supra*), since a competitive examination, in regard to which centres would necessarily be in Europe, would handicap distant countries very much.

Sir Eric Drummond explained that all he contemplated was the maintenance of the existing system of competition in regard to posts which it would be advantageous to fill up locally, *e.g.*, translators and stenographers. He would be constantly guided hereafter by the resolution above referred to. Finally, it was agreed to accept a proposal by M. Noblemaire that, instead of "competitive recruitment or selection" at the close of the first sub-paragraph of para. 42, the Committee should adopt "a system of recruitment based on the principles contained in paras. 42-54."

82. As regards paras. 57-60, the Committee accepted the idea (put forward in its essence by the Indian Delegation last year, but then rejected) of a Special Committee of Financial Control, which would afford outside criticism analogous to that which in nearly all countries vests in the Ministry of Finance, and sometimes also in a Parliamentary body. It was decided that the members of this Special Committee should be five in number (a subsequent decision reduced this to three), and adequately representative of States of the League other than those permanently represented on the Council.

The Committee, however, rejected the proposal in para. 60 of the Noblemaire Report that to this Committee should be attached a special financial expert, to act as its *rapporteur*, who would also be responsible for the audit control. It was held that there was no occasion to add a highly paid officer, who would hold office for five years, to the establishment of the League, since the members of the Committee of Control would certainly include men of adequate financial experience, and that the audit arrangements could be carried out otherwise. The existing "appropriation officer" was to be continued and to obey any instructions which might be issued to him by the Committee of Control.

83. Considerable discussion arose as to the character of the audit, and whether it would not suffice to have, as at present, an appropriation officer. It was argued with force that, although the proposal to have a special financial expert had been rejected, it was still necessary to have an outside auditor. This proposal was rejected by 12 votes to 11, the British Empire Delegations voting in the minority.

As regards para. 65, the proposal for altering the financial year to a period commencing with 1st October was rejected, there being only two votes in its favour.

84. There was considerable discussion over the "working capital fund." This title is really a misnomer. The fund is not meant to provide for capital expenditure; it is just a provision to meet the contingency that, owing to subscriptions coming in slowly and certain States not paying their dues, the League should have a reserve fund from which to provide for outlay pending the getting in of revenue. It would be better described as a working balance. The old title was, however, retained, and discussion centred round the point whether the International Labour Office should have a separate working capital account. M. Thomas emphasised the necessity for meeting authorised expenditure of the Labour Office and its independence of the Secretariat, but stated that, on behalf of the Governing Body of the Office, he would be quite satisfied with a general working capital fund, provided it was understood that the Labour Office should be entitled to its due share, and this was carried.

85. As regards the question of the number of Directors of Sections in the Secretariat, the position is that the present sanctioned number is nine, and the Committee proposed to reduce this to six, but with a special officer for the Legal branch, who would practically be a Director, so that the real number is seven. The Financial Director, it may be observed, would, under this scheme, eventually be replaced by a *Chef de Service*, working directly under the Under Secretary. The number of Under Secretaries was to be reduced from two to one, and a vacancy having occurred by the selection of one of these—M. Anzilotti (Italy)—as a Judge of the Hague International Tribunal, it was possible to carry this into immediate effect.

In the course of the discussion, Sir Eric Drummond, supported by Colonel Johnson, said that while he was willing to consider eventually the proposal that there should be one general Director for work in connection with (a) Administrative

Commissions, &c., and (b) Mandates, he did not think that this suggestion could be confidently accepted at present. It was decided that it would be open to the Secretary-General, if he considered that he had full justification for two separate Directors, to place the matter before the Council and the Assembly. In any case, a reduction in the number of Directors will only take place as vacancies occur in the existing staff, and Sir Eric laid stress on the impossibility, at present, of shedding the Financial Director.

The proposals of the Noblemaire Committee in respect of the Directors were, therefore, to some extent illusory, and Sir William Meyer pointed out, with reference to para. 82 of their report, that a reduction in the number of Directors might be more than compensated for by a considerable increase in the number of *Chefs de Service*. Sir Eric Drummond replied, however, that he had no present intention of increasing the staff of *Chefs*.

At a later stage, too, it was decided, in view of the representation of the Secretary-General, that the Under Secretaryship hitherto held by M. Anzilotti should not be immediately reduced, but should be continued for three years on a different footing. The Director of the Armaments Section, whose work, it was represented, had much increased, was to become an Under Secretary but without any sumptuary allowance, and his Directorship was to be left vacant.

86. In respect of para. 93, which proposed to set up a bureau in Latin America, there was considerable opposition, it being pointed out that it was not a proposal for economy but for additional expenditure, and would be bound to form a precedent. Sir George Perley (Canada) suggested postponement of the question for another year, and was supported by the British Empire Delegates with the exception of Sir Rennell Rodd. The suggestion was, however, rejected by a small majority, and para. 93 was thereupon passed.

In the course of the discussion it transpired that the Council had already sent out two members of the Secretariat to investigate, and that their report would be awaited, but in the meanwhile provision was made in the budget.

*International
Labour
Office.*

87. With reference to para. 128 of the Report, there was considerable discussion on the proposal that the four members of the Governing Body of the International Labour Office who were to confer with the Committee of Control regarding the budgets and accounts of that office should also be able to appear in the Assembly. It was finally decided that only one representative of the Office, who might, at discretion, be one of the Governing Body or the Director, should be entitled to speak in the Assembly when the budget was discussed there, and then only, as in the case of the Secretary-General, if specially invited to do so by the President.

88. Para. 131 commented on the proposal of the Labour Office to purchase their present building in Geneva. The Labour Office had submitted a memorandum justifying this proposal on the ground that it would be really economical and that, although the building presents certain defects as regards distance from the centre of the city, &c., it was better to endure these than to embark on large expenditure.

M. Thomas was very emphatic on this point, while some of the members of the Committee considered it premature to start permanent acquisition, having regard to the possibility (a) of moving the seat of the League, and (b) of acquiring some more suitable building. Finally, having regard to the fact that the matter was urgent, seeing that the present lease terminated in 1923, it was decided to appoint a special Sub-Committee of three members to consider this question further.

This Sub-Committee subsequently reported that the Labour Office ought not to acquire any permanent building until it had been decided definitely whether the seat of the League should remain at Geneva or be moved elsewhere, and it was hoped that a definite decision on this subject might be taken next year. When such a decision was arrived at, the Labour Office should have permanent quarters at the seat of the League wherever it might be, but in the meantime they should continue occupation of their present building as tenants, incurring some small necessary expenditure on improving the accommodation. The Sub-Committee's view was endorsed by the full Committee.

89. With reference to Appendix II. of the Noblemaire Report dealing with rates of salaries, the question was again raised of having an intermediate scale of pay between the members of sections and senior clerical assistants, &c. This had been ruled out in the discussion in connection with the Secretariat on the ground that to

give higher pay than had been proposed to senior clerical assistants would encourage the advancement of mediocre persons. The line now taken, however, was that it was desirable to provide for the case in which a member of section might be doing work which could be as well done by a senior clerical assistant, so that the proposal was one for economy. With regard to this point of view, the proposal for an intermediate grade in the Labour Office was referred to the Salaries Adjustment Committee; as also the possibility of having for the Office a lower pay for copying-typists.

90. On the 1st October the Assembly dealt with the report submitted by M. Noblemaire (France) on behalf of the Committee.

*Action by the
Assembly*

M. Noblemaire supplemented the report itself by a very lucid speech.

M. Noblemaire had not proposed any resolution, so Sir W. Meyer moved that occasion should be taken to pay a tribute to the labours of M. Noblemaire and his expert Committee, indicating that, though he had in Committee IV. criticised some of their conclusions as not going far enough, he recognised that on the whole they marked a very considerable advance. This resolution was carried unanimously.

The report submitted by M. Noblemaire is printed in Appendix III. (Annex 4) and Sir William Meyer's resolution in Appendix II. (Resolution No. 18). Sir W. Meyer's speech in the Assembly will be found in Appendix IV. (Annex 2).

ALLOCATION OF THE EXPENSES OF THE LEAGUE.

91. It was decided that, after the general question arising out of revision of allocation of the League's expenses among the constituent States proposed by the Special Technical Committee had been discussed, Sir Rennell Rodd should act as *rapporteur*. He was also to be associated with three other members, M. Adatci (Japan), M. Fernandes (Brazil) and M. Trygger (Sweden), who were to meet the special Sub-Committee suggested in Committee I. (para. 19 *supra*) for discussion of the amendments to the Covenant which might be necessitated by future procedure in regard to allocations and budget. It may be noted that MM. Noblemaire and Bruce, who represented No. I. Committee, were also members of Committee IV.

92. The question of allocation was dealt with in paras. 106-7 and 112 of last year's Report of the Indian Delegation. Briefly, the position then arrived at was that there was general dissatisfaction with Article 6 of the Covenant, which bases the allocation on the entirely different circumstances of the Postal Union Scheme, and it was sought to obtain a scheme of allocation, which would suit both the Union and the League, and would therefore not necessitate a modification of Article 6, by the appointment of a small special Committee.

That Committee consisted of the following members:—M. Reveillaud (France), Chairman; Sir Henry Strakosch (South Africa); M. Barboza Carneiro (Brazil); M. Alfred Georg (Switzerland); M. Glückstadt (Denmark). M. Sthyr, and subsequently M. de Kaufmann, acted as substitute for M. Glückstadt.

They came to the conclusion that it was impossible to make out a scheme, which would be equitable both as regards the Postal Union and the League, and that the latter, therefore, must proceed independently. They had to work rapidly, and almost split on two divergent schemes, but finally agreed on the adoption of one, which will be referred to in this Report as the definite scheme, while at the same time putting forward the other as a possible temporary solution.

93. As regards India, while the temporary scheme puts us very much as we were under the present one, the definite scheme raises our percentage of subscription from 4.9 to 6.6.

India is placed in Class II. under this last scheme, whereas in the existing scheme she is in Class I, but the prejudicial result to her is attained by the fact that the number of units chargeable for Class II. is no less than 65 (in Class I., 90), the total number of units being 982, whereas under the existing scheme Class I. States pay 25 units out of a total of 510. Under the temporary scheme the same division into classes was adopted as in the definite scheme, but the units taken were those of the various classes under the existing scheme.

At a conference at the India Office before the delegation left for Geneva, it was decided that India should oppose the definite scheme as being an unfair one, unless it underwent material amendment, and that the temporary scheme would be preferable.

Sir William Meyer brought the matter before two meetings of the British Delegations, expounding India's objections to the definite scheme, but got little sympathy

from the Dominions Delegates, since they pay less—some of them materially less—under that scheme than under the temporary one.

94. In anticipation of the subject coming before the Committee, Sir William Meyer tabled two resolutions, accompanied by a memorandum setting forth the principal points in which the definite scheme was regarded as defective, which are printed in Appendix IV. (Annex 3), and supported them at an early stage of the general discussion by a speech strongly attacking that scheme.

It may be noted here that the Allocation Committee used the term "net revenue" in a very peculiar sense—it does not mean that the expenses in connection with the collection of various heads of revenue are deducted from the gross receipts, but that the gross figure is taken except in the case of commercial or quasi-commercial enterprises, such as posts and railways, in which case the net profit only is assessed.

The matter on which Sir William Meyer laid most stress was that the Committee's scheme, through no fault of its own as it had to work very hurriedly and on inadequate data, was an absolutely unscientific one. It professed to base itself on "capacity to pay," but as interpreted by revenue figures of a single year, 1913, which were now of very ancient date. It had not taken into account various essential factors; and in particular, though rendering lip-service to the all-important consideration that the assessment of a State must be based not merely on its relative revenue resources, but with regard to the general benefits it derived from the League, these considerations had been very little attended to in practice, with the result that a number of small States were let off with most inadequate subscriptions, amounting in some cases to only about $\frac{1}{3}d.$ in the pound. What India wanted was a really scientific scheme, and that could not be attained at present. The Reveillaud Committee had admitted that their so-called definite scheme ought only to have effect till 1924, but India preferred the temporary scheme, not merely because it taxed her less, but because, like the Postal Union assessment, it professed quite frankly to be an arbitrary allocation, whereas the definite scheme, which was arbitrary also, masqueraded under a pseudo-scientific character.

M. Reveillaud in his reply had to admit the justice of some, at any rate, of the criticisms. He urged, however, that the definite scheme was only provisional, and might be adopted as such, but if the Committee pleased they could work on the temporary scheme, though his Committee did not think it so good. This was very loyal of M. Reveillaud, since it is an open secret that he was strongly in favour of the temporary scheme, and only gave way at the end to obtain unanimity.

95. There was a long and dreary discussion, and practically every delegate who spoke supported or opposed the definite scheme according as his country would or would not be more lightly assessed under it than under the temporary scheme, or, it might be, the present method.

Sir Rennell Rodd supported the temporary scheme as a better means of obtaining general agreement, but he tried to justify the exclusion of colonies in making up the quotas of Great Britain and other colonial Powers on the ground that they were generally a source of expense. Sir William Meyer pointed out that this was not so, at any rate in regard to colonies such as the Straits Settlements and Ceylon, and that the criteria the Committee had adopted were revenue and population and not expenditure. On Sir Rennell Rodd's principle India might claim material reduction of her assessment on the ground that many tracts were not self-supporting in the matter of taxation.

96. It was agreed, on a proposal by the Spanish Delegate, that, when an ultimate result had been arrived at, the publication of the quotas should not be in group arrangements or with reference to percentages, but in alphabetical order with the amount of subscription of each State against it.

97. The Italian Delegate emphasised that the real deciding factor in the case would be the assent or dissent of the Parliaments of the various countries in respect of the sums they would have to be asked to vote, and that the existing scheme had at any rate the merit of having received general recognition. A departure from this scheme would provoke considerable opposition in various Parliaments, especially in the Parliaments of countries whose contributions would be increased. Speaking later, Sir William Meyer fully agreed with this line of argument.

98. In a further speech Sir William Meyer pointed out the difference between the idealism preached in the Assembly by the South African Delegates and the hard materialism of the present discussion, in which South Africa, like other States, had

supported the scheme which would let it off the most lightly. Mr. Bruce (Australia) had endeavoured to support the opinions expressed in favour of the definite scheme by the proposition of the greatest happiness of the greatest number; that the definite scheme would increase the assessments only of six countries, India included, whereas it would reduce the assessments of a great many more. If there was some injustice to India, surely it was better (he had observed) that this should be suffered than that so many other States of less wealth should have to complain.

Australia, now posing as a poor country, had, Sir William Meyer rejoined, spent nearly 1,000,000*l.* on a palatial office in London for her High Commissioner, an expenditure which India, with her much larger revenue and also larger necessary expenditure, could not possibly afford. Australia had also indulged in the luxury of an expensive line of Commonwealth steamers, which some of the best experts predicted would be run at a heavy loss. It was idle, therefore, to say that Australia was a poor country and India a rich one.

99. The only resolution discussed at this sitting was jointly submitted by the delegates of Poland, Rumania, the Serbo-Croat-Slovene State and Czecho-Slovakia, proposing that the allocations should be modified with reference to conditions of exchange. On a division the proposal was rejected by 13 votes to 9.

100. A further resolution tabled by Sir William Meyer (Appendix IV., Annex 3) proposed that the Reveillaud Committee should resume its labours as soon as possible and endeavour to frame a more complete and convincing scheme, after consideration of essential factors, such as the financial position of Federal Governments as compared with unitary States, the colonies of certain Powers, the special benefits that particular States may derive from the League, and so on; and that they should also endeavour to work on more recent statistics. It went on to propose that, as the Reveillaud Committee would, it was hoped, be able to work out a more satisfactory scheme before long, the Postal Union allocation should meanwhile continue to hold the field, as it is sanctified by the Covenant as it stands, and has in that capacity received the adhesion of all the Member States.

Many other delegates also tabled resolutions bearing on future allocation.

101. Meanwhile a report (embodied in a letter from M. Adatci, who had presided over it) had been received from the expert mixed Committee drawn from Committees J. and IV., on the subject of the constitutional aspects of the matter. This letter is embodied in the final report of Committee IV. on allocations, which figures in Appendix III. (Annex 5). Briefly, it proposed that the Reveillaud Committee should continue its labours so as to evolve a more satisfactory eventual scheme; that Article 6 of the Covenant should be amended, so as to enable the adjustment of the expenses of the League among the Member States to be made by decision of the Assembly; and that there should be a provisional Article embodying a scheme which might be applied at once with effect from 1922.

102. The suggestion that the Reveillaud Committee should resume its labours was unanimously adopted, and discussion then centred on the advisability of adopting a provisional scheme at once to supersede that of the Postal Union. It may be observed here that M. Adatci, as an individual member of Committee IV., now proposed that the decision of the Assembly in respect of any new scale should be taken on the proposal of the Council, but this was opposed by M. Trygger (Sweden) and Sir W. Meyer, on the ground that it would weaken the now recognised position that within the League the Assembly was supreme in matters of finance, and M. Adatci finally withdrew his amendment.

It was, however, agreed—on a suggestion by the Venezuelan Delegate—that the Assembly Rules of Procedure might fittingly be altered so as to ensure that no revision of allocation shall be considered unless its inclusion in the Assembly's agenda has been communicated to the constituent States of the League at least four months before the session.

103. As regards the adoption of a provisional scheme, Sir W. Meyer moved, in accordance with the suggestion contained in his draft resolution above-mentioned (para. 100), that the provisional scheme be dropped, and that the Assembly should hold to the existing allocation until it could be replaced by a really satisfactory one, one which could be acknowledged as just even by States which might have to pay more therein. He pointed out that to get the ratification of the Governments necessary for altering the Covenant so as to dispense with the Postal Union scale must necessarily take a long time, so that matters would probably not be

ready in practice for the introduction of a fresh scheme until the Assembly met next year, by which time it might be hoped to have an amended scale. Moreover, as the allocations for 1922 have to be notified at the beginning of the year, there was all the more reason not to put to States a scheme which could not be at once carried out as regards payments of subscriptions. The Parliaments of States which disliked the provisional scheme would be on very strong ground if they declined to vote provision until the Covenant had been so amended finally as to make it a *fait accompli* and not a possibility only. A long debate followed, in which representatives of the various States generally took, as in the previous week, the best line suited to the pecuniary interests of their countries, those who would be favoured by the Reveillaud Committee's existing proposals being for a provisional scheme which would embody this. Finally, on a division, the idea of a provisional scheme was carried by 21 votes to 11. Sir W. Meyer had not expected to get so many votes, and among these were those of the representatives of Great Britain, Italy, Spain, China, and Japan, and also (to take minor States as well) of Serbia, Cuba, Uruguay, and Colombia. Sir W. Meyer thereupon asked that it should be recorded that he reserved full liberty to challenge this decision in the Assembly, a course followed by several of the other States comprising the minority.

104. The Committee then went on to consider what the provisional scheme should be, and after some discussion it was agreed by a majority that the basis of it should be what is called the Reveillaud Committee's definite scheme.

105. Having reached this result, and having regard to the fact that there was now very little time to put matters before the Assembly, it was agreed that it was no use at present discussing specific amendments to the scheme which had found favour. These could be considered in connection with the subsequent reconsideration of the scheme to be taken up by the renewed Reveillaud Committee, and consequently all the various resolutions bearing on this matter should be sent to that Committee. The only exception was as regards a proposal made by the Polish Delegate that his State should at once go down one class—from the third to the fourth. He supported this by the plea that the Reveillaud Committee had to take the revenue figures of 1913 (when Poland was still distributed among the empires of Russia, Germany and Austria), and could only arrive at the revenue of the new State by the arbitrary method of taking the revenue of the old empires and giving to Poland a sum under each proportion of the population transferred from Russia, &c, to the Poland of to-day. Also, that since its re-existence Poland had never had the benefit of settled conditions. This proposal was adopted by Committee No. IV.

106. As regards the date from which the provisional scheme should have application, the delegates of Australia, South Africa and Canada (which countries will benefit materially by the provisional scale as against the Postal Union allocation) pleaded emphatically for retrospective application to 1921, taking as the basis of their plea a proposal to this effect contained in recommendations made by Committee IV. to the Assembly and accepted by it in connection with last year's budget (see on this point recommendation II., Article 13 (e) as printed on pages 86-7 of the Appendices of last year's Report of the Indian Delegation). They urged that, whatever this might be legally, it was in honour a binding agreement, on the strength of which their Parliaments had voted the contributions for 1922, Sir Edgar Walton (South Africa) declaring that General Smuts could not have carried the existing subscription for 1921 through his Parliament had he not been able to assure them that it was going to be revised for the benefit of South Africa. The opponents of this—including M. Reveillaud, Sir Rennell Rodd and Sir W. Meyer—replied that the recommendation invoked had not the binding force of a resolution and could be modified if circumstances required it. The fact was that last year it was thought that it would be possible to get matters settled quickly by obtaining an amendment of the Postal Union classification, in which case it would have been quite reasonable to make such amendment apply to 1921. It had now been found necessary to cut loose from the Postal Union altogether; the consequent amendment of the Covenant would take a long time, and to have the application of the scheme thrown back to 1921 would raise a legitimate grievance on the part of States which would suffer thereby, and render them very unwilling to agree to any proposed change in the League constitution *qua* assessment. In this connection, Sir Herbert Ames (the Financial Director), made a good speech, pointing out that if the proposal was accepted it would be very prejudicial to the League's finances. He would have early next year to circulate to each State a statement of what it would pay under the Postal

Union allocation still in force, and what it was proposed that it should pay under the provisional scheme, subject to retrospective application for 1921. The result would be that some States would have their 1922 contributions very largely increased, while others like Australia, Switzerland and the Netherlands would have to pay nothing, or might even be in a position to claim refunds. Obviously, a State which was heavily burdened by this method would not pay till it had definitely determined, whether to accept the necessary amendment to the Covenant or not, and one which profited greatly would have little or nothing to send in. The League might, therefore, go bankrupt. M. Reveillaud strongly advised the Dominions delegates and others not to risk losing the new scheme altogether by insisting on this retrospective application. M. van Eysinga took the same view, and on a division it was decided by 16 votes to 10 that the retrospective application of the scheme till 1921 should be rejected, the Dominions delegates thus defeated reserving their liberty to raise the question again in the Assembly.

It was agreed that, in regard to the provisional scheme, it should be indicated that it would remain in force "till altered by the Assembly," to provide for the contingency that we might not be ready with a really definite scheme next year.

107. The matter came before the Assembly on the 6th October, on the report of Sir Rennell Rodd, printed in Appendix III. (Annex 5). *Action by Assembly.*

At a discussion which had taken place between the British Empire Delegations under the chairmanship of Mr. Balfour, a compromise course had found favour.

Sir Rennell Rodd was to propose in the Assembly that the new provisional scheme should only last during 1922 and 1923, and should lapse earlier if a satisfactory fresh scheme has meanwhile been adopted.

Further, when the new scheme was adopted, countries which may have paid more than their share (a) in 1921 with reference to the Postal Union scale; or (b) in 1922, and possibly 1923, under the provisional scheme should be entitled to eventual refund, if and when the League's finances permitted.

Accordingly, when Sir Rennell Rodd, acting as *rapporteur*, placed before the Assembly the resolutions entrusted to him by Committee IV., he personally made the suggestions for modification above referred to. But when the matter was discussed in the Assembly, it was found that there was no chance of obtaining the requisite three-fourths majority for the resolutions as Sir Rennell Rodd had wished them finally to stand, and after discussion the Assembly passed the resolutions and recommendations printed in Appendix II. (Resolution No. 30). The first resolution, involving amendment to Article 6 of the Covenant, was passed by 40 votes to 1, 10 delegations being absent or abstaining; and the second, adopting the provisional scheme of allocation, by 31 votes to 2, 18 delegations not voting. The rest of the resolutions and recommendations were adopted unanimously, with the exception of the recommendation in favour of the eventual reimbursement of States who may pay more under the provisional scheme which had been adopted than under such definite scheme as may finally come into force. This recommendation was carried by 21 votes to 10.

108. The position of India had been considerably weakened by the previous action of the Assembly (*vide paras. 30-36, supra*), by which resolutions in respect of Covenant amendments were no longer to come under Article 5 as regards unanimity, but that a three-fourths majority would suffice if it included the representatives of all States on the Council, and it became very difficult to look to a minority of more than one-fourth as against the provisional scheme, from the fact that the delegates of those Council States, who had been India's allies in Committee, shrank from taking the position of voting against the provisional scheme, and its proposed application, in the Assembly and thus destroying it. They preferred to leave any hostile action that their Governments might consider necessary to those Governments when it came to ratification. Consequently, Sir W. Meyer thought it better not to put India in the position of voting against the resolution in regard to the provisional scheme, although the final solution adopted by the Assembly was considerably less satisfactory than that which the British Delegations would have accepted if the matter had lain between themselves, in that—

- (1) The provisional scheme is not to be subject to a definite time limit, but to remain in force till the Assembly adopts another one, which will obviously give opportunity for obstruction in regard to a new scheme on the part of those whom this will favour less than the provisional scheme.

- (2) The proposals as regards the setting on foot of a new scheme and the arrears solution, which would benefit India if a fresh scheme were more in her favour than the provisional scheme is, are recommendations and not positive resolutions.

After consulting with Mr. Sastri (H.H. the Maharao of Kutch had had to leave Geneva when the matter came on), Sir W. Meyer abstained on the provisional scheme resolution, and voted in favour of the other proposals. Still the position remains better than when Committee IV. concluded its labours, and considerably better than had been anticipated when the discussions in that Committee began. It may be mentioned here that on the budget for 1922 India would, under the provisional scheme, pay about 1,380,000 gold francs against 1,022,000 which she would contribute under the Postal Union scheme.

109. It has to be remembered, however, that until the Covenant is amended the Postal Union scale holds the field, and that the Government of India have full liberty to ratify, or decline to ratify, the proposals carried in the Assembly. (They would, of course, be allowed to reconsider with reference to the last clause of Article 26 of the Covenant, if a majority for ratification had been secured without them, and they need not act without very full consideration) And until the Covenant has been definitely amended by the necessary votes of all the Council States and a majority of the rest, a procedure which must take a long time, India will certainly be within her right in declining to pay anything more than what her obligations under the Postal Union scale impose on her.

AUDITED ACCOUNTS AND BUDGET OF THE LEAGUE.

110. In regard to the audited accounts of the Secretariat for the period July-December 1920 (the audit of the first half of 1920 came before the Assembly last year), attention was drawn by some of the Dominions Delegates and Sir W. Meyer to the extraordinary method adopted by the Swiss auditors in setting forth the income and expenditure of the League for the period in question. They had included in the income a large amount of subscriptions due for this period from a number of States which had not been paid within it, with the result that they showed a large surplus, while there was really a deficit involving temporary borrowing from Lloyds' Bank. It was agreed that, while this statement should be maintained as possibly suiting the ideas of continental countries, there should be a supplementary statement setting forth the actual cash receipts and expenditure for the period, with a supplementary note indicating assets subsequently realisable.

The following States have paid nothing as yet on account of 1920:—Argentina, Columbia, Guatemala, Liberia, Nicaragua, Paraguay, Rumania, and Salvador, while there are balances, running from 50 to 80 per cent., still due from South Africa, Panama, Peru, Persia, and the Serb-Croat-Slovene State. On the whole, according to a statement made by Sir Herbert Ames, 10 per cent. of the contributions to the 1920 budget of 10,000,000 gold francs still remain to be paid.

The auditors' report was then passed, as also a similar report for the Labour Office—this latter for the whole year 1920.

111. The Committee then took up the estimates presented by the Secretariat and the Labour Office for the year 1922, put together finally in a general consolidated budget statement (Appendix III, Annexes 6 and 7).

The budget for 1921 was prepared in a most unsatisfactory way, the chief faults being referred to in paras. 96-105 of the Indian Delegation's Report on last year's Assembly; in particular, the Labour Office contenting itself with giving globular figures. A great improvement was noticed in regard to the budget of the coming year, attributable mainly to the recommendations (largely due to the initiative of India) made in the Foster-Eysinga report on last year's budget and approved by the Assembly. In particular, the Labour Office figures were put quite clearly, more so favourably with those of the Secretariat, and M. Thomas' explanations compared absolute control of the Assembly over the budget is now fully admitted.

The total budget for 1922 as originally presented was, in round figures, for 23,768,000 gold francs (of which 8,245,000 were for the Labour Office), against 21,250,000 in 1921 (of which 7,000,000 were for the Labour Office).

It may be noted in this connection that the increase in the Labour Office estimates does not mean an increase of actual outlay, the Director having been strictly enjoined by his Governing Body not to exceed the total actual expenditure voted for 1921, but a less favourable exchange for Swiss francs, in which the accounts of the Labour Organisation are now kept.

The original figures were added to or modified by various supplementary estimates put in, in a confused fashion, at the last moment, and also by net reductions by Committee IV. The net total result is that the budget for 1922 will now stand at about 20,750,000 gold francs (of which nearly 6,136,000 are for the Labour Office), *i.e.*, a decrease of about 3,000,000 gold francs on the estimates as originally put before us.

This economy is, however, not nearly as drastic as it looks, for no less than 1,364,000 gold francs represents surplus balances accumulated, or likely to accrue, in connection with the Labour Office. It was decided, and very rightly, to allocate these to reduction of the resultant expenditure which would have to be met by the constituent States of the League instead of, as proposed by the Canadian Delegate (Sir George Perley) and Sir Herbert Ames, putting it into the general working capital fund, which is to be available for the Labour Office as well as for the Secretariat (para. 84 *supra*).

Sir Herbert Ames had likewise suggested that the Secretariat budget of 1922 should include the replenishment of the working capital fund to the extent of 500,000 gold francs, but this proposal was withdrawn in view of a decision that the fund should be limited to 5,000,000 gold francs.

112. The chief abiding economy was one obtained on a motion by the Brazilian Delegate for a general reduction of 25 per cent. in printing charges, wherever these occurred. He impressed the Committee by the fact that he had made personal investigations as to the price of paper, and found that it had fallen considerably, while the Secretariat apologist had to admit that concomitantly the British Stationery Office (from which the League had hitherto got most of its supplies) had for some reason doubled its prices. This also impressed the Committee, which was relieved to learn that we were not bound in any way to obtain paper from London if we could get it cheaper elsewhere.

113. The estimates for the *Publication Department*, originally 415,000 gold francs, are finally reduced to 356,000, chiefly by reason of the printing economy referred to above. But they now include a supplementary estimate of 45,000 gold francs for the publication of the League's monthly *Bulletin* in several languages instead of in English and French only. The official who explained the estimates on behalf of the Secretariat wanted not merely a publication in all the principal European languages, but also in those of Japan and China. Sir W. Meyer argued that however desirable that might be, this was not a time to increase expenditure, but on a division the supplementary estimate was carried. Sir W. Meyer then obtained agreement to the suggestion that if translations were made into Chinese and Japanese they should be made into one at least of the Indian languages, *e.g.*, Urdu.

114. Under *Transit*, the original estimate was 500,000 gold francs against 670,000 in 1921, the decrease being due to the fact that there will be no general conference such as there was at Barcelona this year. But a net increase was made to the extent of about 43,000 gold francs with reference to the fact that the Assembly, on the proposal of Committee II., had sanctioned the holding of regional conferences, and that these might involve an outlay of about 100,000 gold francs. There was a feeling at first against this latter supplementary estimate, but M. van Eysinga (Netherlands), supported by Sir Rennell Rodd and M. Reveillaud, urged that the Committee could not put itself in a position of opposition to the Assembly. This, however, elicited a general desire to have matters put on a more satisfactory basis, so that no projects involving additional expenditure should be put before the Assembly by other Committees until they had been considered also in Committee IV., a matter which will be further dealt with later. Sir W. Meyer pointed out that, even as matters at present stood, while necessarily bound to accept the policy laid down by the Assembly, it was the Committee's duty to consider, and if necessary to criticise, the departmental estimates submitted to carry out that policy: in the present case such regional conferences as were required (and it had been indicated by an official apologist that there might not be any at all) could be met out of the original vote of 500,000 gold francs. Finally, it was decided, on the motion of M. Reveillaud, to pass a supplementary vote for 50,000 gold francs, thus allowing for extension of the estimates

with reference to regional conferences, and at the same time vindicating the Committee's prerogative of dealing with expenditure. This increase was to a slight extent set off by some minor savings.

115. For the purpose of books and library equipment, Sir W. Meyer obtained a reduction of 65,000 gold francs, in order to reduce the figure to that of the 1921 budget, pointing out that the Expert Committee on Organisation had criticised the scale of the Library as too ambitious.

116. The question of exchange and exchange compensation allowances came under discussion with reference to the Labour Office estimates, and M. Thomas had to admit that it was quite incorrect on present indications to assume that 20 gold francs would be equal to 24 Swiss, the rate of conversion taken for 1922. He stated that the accounts had been first of all kept in pounds sterling, then in Swiss francs, then—at the instigation of Sir Herbert Ames—in gold francs, and now in Swiss francs again; and asked pathetically how he was to avoid getting into confusion. It has now been settled that the domestic accounts of the Labour Organisation shall be kept entirely in Swiss francs, and that the globular result will be converted into gold francs for the purpose of the final budget at the current rate of exchange. M. Thomas also explained, with reference to the special allowance of at least 24 Swiss francs for 20 gold francs given to members of the staff, that prior to the move of the office from London to Geneva, everybody's salary was fixed in pounds sterling, but that those subsequently recruited had their salaries fixed in Swiss francs. It was the former class who were considered entitled to compensation for unfavourable developments of exchange. It was finally decided that the whole matter of exchange compensation should be submitted for consideration to the Salaries Adjustment Committee.

117. An important economy was effected in regard to a sum of 500,000 gold francs, which M. Thomas explained was to be a carry-on from 1921 of a reserve for buying or building permanent premises for the International Labour Office. It was pointed out that it had already been decided (para. 88 *supra*) that pending decision as to the future seat of the League, which it was hoped would be taken up next year, the Labour Office should remain in rented premises, and that this credit was therefore as yet unnecessary.

Finally, as M. Thomas pressed for something to be voted to him, so that he might in next year's Committee show that there was a definite policy, it was resolved that a sum of 20,000 gold francs should be substituted for the original 500,000, the said 20,000 to be employed in preliminary investigations, such as the drawing up of plans, or possibly on the purchase of an option.

118. The budget discussions were on the whole quite satisfactory. Owing largely to pressure exerted by India last year, the estimates are now much fuller, and in particular the Labour Office has given detailed figures instead of globular sums. As regards the examination of these, although Sir W. Meyer and Sir James Allen (New Zealand), who gave him generally uniform support, were not able to obtain all the reductions they would have liked, they did effect several material cuts, which have been already mentioned, and in regard to these received useful support from the Brazilian Delegate (M. Barboza Carneiro), who commanded some following from the Latin-American States.

Action by the
Assembly.

119. M. van Eysinga's Report, setting forth the Committee's actions in regard to the budget and financial administration generally (Appendix III., Annex 8), came before the Assembly on the 3rd October. The figure of 20,758,945 gold francs given on the first page of M. van Eysinga's Report in respect of the budget for 1922 has now to be raised by 100,000 gold francs, with reference to the decision in regard to Albania referred to in para. 155 (Appendix II., Resolution No. 20).

M. van Eysinga made an effective speech in support of the Report, and Sir W. Meyer followed him with a speech, which is printed in Appendix IV. (Annex 4). The recommendations and resolutions were then unanimously accepted (Appendix II., Resolution No. 21).

An important decision, as to proposals involving expenditure being submitted by other Committees to Committee IV. prior to being placed before the Assembly, which had been passed on by the Committee to Committee No. I. for consideration from a drafting point of view, was, as stated in para. 42, formally passed at a subsequent sitting on the 6th October as an amendment of the Assembly's Rules of Procedure (Appendix II., Resolution No. 31).

Work of Committee No. V. (Humanitarian Questions).

THE TRAFFIC IN OPIUM.

120. At the meeting of the 13th September the Committee began the discussion of the Report of the Advisory Committee on Opium and the Report of the Council on that Report. All that emerged from a very vague and general preliminary discussion was a resolution in the following terms :—

“ This Committee recommends to the Assembly that the various Governments be invited, where they see no objection, to furnish to the Secretariat, in addition to the official annual Report, any information concerning the illicit production, manufacture, or trade in opium or other noxious drugs, which they think likely to be useful to the Committee in the execution of its duties.”

121. In view of the dangerous character of the last recommendation contained in the Council Resolution (printed in Appendix III., Annex 9) to be subsequently discussed, the attendance was procured at Geneva of the Indian member of the Advisory Committee (Mr. J. Campbell). Briefly, while the Advisory Committee had drawn attention to the very unsatisfactory position in China in respect of opium production there, and proposed that the matter should be brought to the notice of the Chinese authorities, Mr. Wellington Koo, who had been nominated reporter by the Council in respect of this matter, suggested the elimination of that recommendation. On the other hand, he proposed to ask the Advisory Committee, in view of “ the general desire ” to limit opium production to strictly medicinal and scientific purposes, to consider the institution of an enquiry as to the average requirements for these purposes in the different countries. This was going far beyond the provisions of the Hague Convention, which recognised the legitimate use of raw opium under due restriction.

122. When the discussion was resumed on the 14th September, with reference to the resolution of the Council on Mr. Koo's report upon the recommendations of the Advisory Committee, Mr. Sastri delivered a speech which made a profound impression upon the Committee. He pointed out that the report of a special expert body had been set aside without adequate reasons being given, and, commenting on Mr. Koo's proposal, endorsed by the Council, that the question of making representations to China regarding her poppy cultivation should be deferred, emphasised the infructuous sacrifices of India on behalf of China and the present position of the latter country as the leading opium producer of the world. As regards recommendation 7 of the Council's resolution, inviting the Advisory Committee to report on “ the possibility of instituting an enquiry to determine approximately the “ average requirements of raw and prepared opium specified in Chapters I. and II. of “ the Convention for medicinal and scientific purposes in different countries,” Mr. Sastri pointed out that the terms of this recommendation must be read with Mr. Koo's preliminary report, in which the object of the resolution was clearly stated to be the eventual limitation of poppy cultivation to strictly medicinal and scientific purposes. He emphasised the fact that this object was not among those which the Hague Convention was drawn up to attain, and urged that action in the sense suggested was *ultra vires* of the League. He then attacked the proposal on its merits, pointed out the hardship such limitation would entail upon the people of India, many of whom were far from dispensaries and medical advice, and had for generations taken opium in moderate amounts as a febrifuge, and explained that action in the direction contemplated by Mr. Koo would be practically effective in regard to India only among the opium producing nations. Turkey had not acceded to the Hague Convention, Persia had signed with a reservation that robbed her signature of practical value, and no attempt at restriction of cultivation in China had the slightest chance of success in the existing circumstances of that country.

India was quite ready, when the time came, to consider a further advance on the position as it was left by the Hague Convention. But, owing to the war, that Convention had only lately come into general application, and it was essential to secure due observance of its provisions, in China as elsewhere, before trying to occupy fresh ground.

123. At the meeting of 17th September, Mr. Wellington Koo made his reply to Mr. Sastri. He opened his exposition by an account, on the usual lines followed by anti-opium societies, of the history of the wars with China ; and the burden

of his introduction was the heroic struggle of China against the Western Powers, which (he said) finally forced opium upon that reluctant country at the point of the bayonet. He then narrated the history of what happened between 1908 and 1917, and acknowledged the great assistance India had rendered to China. Recrudescence of cultivation since the latter year he admitted; but while refusing to accept Mr. Sastri's statement that China's production of opium amounted to four-fifths of the total output of the world, he made no effort to challenge the accuracy of that estimate. He asserted that it was not his personal intervention which had led to the resolution Mr. Sastri challenged, and explained that recommendation 5 of the Advisory Committee was dropped by the Council, as it involved direct interference by the Council in the internal affairs of China, and was also unnecessary in view of the action which the Chinese Government had taken to ascertain the facts as they now existed regarding opium cultivation in China. Sir John Jordan, who acted as one of the assessors on the Advisory Committee, had expressed himself satisfied with this action—the appointment of seven Chinese High Commissioners to ascertain the real position and to enforce the existing laws.

He thought that Mr. Sastri had misunderstood the purport and scope of the draft recommendation (7) of the Council. There was no desire to embark on an immediate campaign against the production of opium otherwise than for medical and scientific purposes. All that was contemplated was an enquiry, if the Advisory Committee agreed that such an enquiry could profitably be made, which would give the Assembly and the Council information necessary for the formulation of a reasoned policy. Such information the Council was fully competent to collect. If restriction of production was finally approved by the League as their definite policy, India would be asked to co-operate; she would not be compelled to adopt that policy. Mr. Koo laid great stress on the point that this policy, if definitely decided on, could be postponed to any date, however remote.

124. The Committee then proceeded to vote on the various individual recommendations contained in the Council's draft resolution. Recommendations 1, 2, 4 and 5 were unanimously adopted, and recommendations 3, 6 and 7 were referred, at Mr. Balfour's suggestion, to a Sub-Committee constituted as follows:—Mr. Sastri (India), Mr. Wellington Koo (China), Mlle. Bonnevie (Norway), M. Avramovitch (Serbia), M. van Swinderen (Netherlands); Professor Gilbert Murray (South Africa), M. Hennessy (France).

125. This Sub-Committee held several meetings on the 19th and 20th September, and commenced with a discussion in respect of the terms of recommendation 3 of the resolution, which is as follows:—

“That the Provisional Health Committee of the League, or any other similar organisation, be asked to undertake an enquiry to determine approximately the average requirements of the drugs specified in Chapter III. of the International Opium Convention, for medical and other legitimate purposes in different countries.”

M. Hennessy (France), supported by M. Avramovitch (Serb-Croat-Slovene State), took strong exception to the terms of this proposal, especially to the intervention it involved of the Health Organisation of the League. They pointed out the danger, and, indeed, the illegality, of inquisitorial inquiries in respect of the internal arrangements of the various States. Sir Malcolm Delevingne, who attended the Sub-Committee as having been British “expert” on the Opium Advisory Committee, said it was too late to take this point, as the Council had referred the matter to the Health Organisation, which was considering it.

This evoked immediate and strong protests from the delegates of France and the Netherlands as being a usurpation by the Council of the functions of the Assembly. Professor Gilbert Murray contended that the Council's recommendation was not a usurpation but merely a well-intentioned method to facilitate the progress of investigation, provided the Assembly approved this. This view did not find favour with the protesting delegates, but they agreed to accept the assurance that the Council had not intended to usurp the Assembly's functions.

A representative of the Provisional Health Organisation, who attended, explained that his Committee were only at present engaged on quite tentative inquiries in regard to the possibility of obtaining the statistics desired by the Council, and that no definite decision had as yet been arrived at on this point, and gave the assurance that in any case no inquisitorial inquiries would be made in the countries concerned. He in fact accepted the view expressed by the delegates of France and Serbia that any information needed must be supplied by the Governments concerned.

One of the Persian delegates (Prince Arfa-ed-Dowleh), who, although not an original member of this Sub-Committee, was subsequently added to it, delivered a speech which was much to the point. He indicated the dangers of interfering with secular habits in Oriental countries, and asked how, if and when the League had decided the amount of opium production which should be allowed to the world in general, this would be distributed among the producing States. He inquired further how they would deal with a country like Afghanistan, which produced some opium, but is outside the League's sphere.

It was finally decided to accept this portion of the Council's resolution, but to amplify it by an explanation, to form part of the resolution, designed to meet the various criticisms advanced.

126. Para. 6 of the Council Resolution, which shelved consideration of the recommendation of the Advisory Committee that representations should be made to the Chinese authorities as to the opium situation in that country, was then discussed. Mr. Sastri recapitulated the arguments against Mr. Koo's shelving proposal, which had been adopted by the Council, and in favour of adopting the proposal of the Opium Advisory Committee. He suggested that the wording of the recommendation might be modified in order to avoid any injury to Chinese susceptibilities; but he urged strongly that its substance must be maintained unless the League of Nations were prepared to neglect the duties which the Covenant, read with the Hague Convention, imposed on them. He showed that China was at present the *crux* of the opium position: and he stressed the argument that if the League of Nations refused to take notice of the admitted failure of China to make her declared policy effective, then all attempts at suppression by the League must be abandoned. Professor Murray agreed generally with Mr. Sastri, but asked that the wording of the Opium Advisory Committee's recommendation be somewhat toned down; China's temporary representative (Mr. Koo being engaged elsewhere) preferred not to speak; M. Hennessy (France) agreed with Mr. Sastri and Professor Murray; and M. van Swinderen (Netherlands) expressed his concurrence also. It was decided that an effort should be made to secure an agreed text with Mr. Wellington Koo on these lines. This text could then be considered at the next meeting.

127. As regards para. 7 of the Council Resolution:—

“That in view of the world-wide interest in the attitude of the League towards the opium question and of the general desire to reduce and restrict the cultivation and production of opium to strictly medicinal and scientific purposes, the Advisory Committee on Traffic in Opium be requested to consider and report at its next meeting on the possibility of instituting an enquiry to determine approximately the average requirements of raw and prepared opium specified in Chapters I. and II. of the Convention for medicinal and scientific purposes in different countries,”

Mr. Sastri proposed an amendment, which Sir William Meyer had originally suggested to Mr. Koo in personal conference, viz., the substitution of “legitimate” for “medicinal and scientific” where these words occurred in the resolution. After some discussion this was unanimately accepted, the word “strictly” being also omitted in the first portion of the resolution. Mr. Koo, who again failed to attend the meeting, sent a message by his representative to the effect that, in his opinion, any modification of a resolution approved by the Council would form a most dangerous precedent. The Sub-Committee did not, however, accept this.

128. When the Sub-Committee next met Mr. Koo endeavoured to reopen the questions previously discussed. Mr. Sastri raised a point of order on this, but the Chairman held that, as Mr. Koo had been prevented by *force majeure* from attending on previous occasions (he had to attend Council meetings) he should be allowed to state his case fully. Mr. Koo then advanced every possible plea in favour of the Council Resolution as regards all points which had come under discussion; and he finally entrenched himself behind an alleged constitutional point, that the Assembly had no power to alter a Resolution of the Council. The Chairman disagreed as to this and was supported by the delegates of France, Serbia and Norway. It was finally decided that an addition should be made to para. 5 of the Council Resolution, adding “and of China” after the words “Contracting Powers having treaties with China,” thereby calling attention to China's obligations under Article 15 of the Hague Convention; and that formal note should be made

of the action said to have been taken by China to ascertain the facts as regards the recrudescence of poppy cultivation there. Mr. Sastri accepted this. Mr. Koo intimated that he reserved the right to raise his "constitutional" point in full Committee and in the Assembly.

As regards para. 7 of the Council Resolution, Mr. Koo repeated all his old arguments, but obtained no support. He then suggested that the Council Resolution should be merely expanded so as to cover the consumption of opium "for other legitimate purposes." Mr. Sastri objected to this; the Norwegian Delegate concurred, and on a vote being taken Mr. Koo alone supported the Council Resolution as it stood, all the other delegates voting for the amendment proposed by Mr. Sastri and agreed to at the meeting that morning.

129. At a final meeting of the sub-Committee on the 21st to consider the draft report to be submitted to the Plenary Committee, M. van Swinderen, as Chairman, explained that he had had a lengthy conversation with Mr. Wellington Koo, and was impressed with the desirability of avoiding any reference in the report to the possibility of a conflict between the Council and the Assembly. He had drafted the report most carefully with that end in view, and he understood that, if the sub-Committee generally accepted the draft, it would be accepted by Mr. Koo also. The draft was then unanimously adopted. From India's point of view the report was suitable; it reproduced correctly the decisions arrived at by the sub-Committee, and there was nothing in the introductory matter to which objection could reasonably be taken. The report represents the complete triumph of India's very legitimate objections to the original Council proposals, and this result was very largely due to the convincing presentation of her case by Mr. Sastri and the working up of details by Mr. Campbell.

130. In discussing the report, M. Hennessy made an attempt to get the word "legitimate" defined, so as to prevent a possible large expansion of its meaning and consequent abuse; Mr. Sastri objected to this, and pointed out that it would be much safer not to attempt any definition. He called attention to the declared object of the Hague Convention, which was to suppress the "abuse" of opium; "abuse" was not defined in that Convention, and we should not attempt to define "legitimate" here. The Serbian Delegate agreed. Professor Murray, however, suggested that a direct reference, by way of example, might later be made to legitimate uses of opium in India; and to this Mr. Sastri had no objection.

131. The Sub-Committee unanimously agreed to exclude "prepared opium" from their resolution, in view of the provisions of Chapter II. of the Hague Convention, which form a self-contained code. The Convention requires "the gradual and effective suppression . . . of the use of prepared opium"; in these circumstances an enquiry into the legitimate consumption of prepared opium would obviously be inappropriate.

132. At the full Committee meeting of the 21st, M. van Swinderen, the *rapporteur*, explained the conclusion arrived at by the Sub-Committee, and after some discussion the report was unanimously adopted.

It was proposed, on the suggestion of Mlle. Bonnevie (Norway), supported by Professor Gilbert Murray, that the report should contain a passage asking the Council to consider whether all nations specially concerned with the growth or manufacture of opium or its derivatives should not be represented on the Technical Advisory Committee, and special reference was made to Germany as being a large producer of cocaine and other drugs.

This was carried, and it is obviously desirable that Germany should be represented.

133. The following proposals were then passed on the motion of Sir Malcolm Delevingne:—

- (1) That the Committee recommend to the Assembly to urge upon all States Members of the League which have not yet signed and ratified the Opium Convention to do so as soon as possible.
- (2) That the second recommendation of the Advisory Committee as to the making by each State of an annual report on the execution of the Convention (which was adopted by the Council but does not appear in the resolutions of the Council on page 72 of the Report to the Assembly), be approved.

- (3) That, in order to facilitate the execution of the Convention, the Committee recommend to the Assembly to urge all States Members of the League to intimate to the Secretariat as soon as possible their acceptance of the fourth recommendation of the Advisory Committee as to the requirement of import certificates.

134. At the last moment M. Hennessy (France) proposed that a fresh international conference should be held in order to deal effectively with deleterious drugs not precisely covered by the terms of The Hague Convention; he asserted that manufacture of such drugs was now being carried out, but did not produce convincing evidence of this. M. Sastri took the line that a fresh conference was inadvisable until the ground covered by The Hague Convention had been more fully secured; but he did not desire to object, especially as the proposed recommendation did not settle the matter definitely, but merely called for the opinion of the Advisory Committee.

135. The conclusions of the Committee were embodied in a report presented to the Assembly by M. Ferreira (Portugal) on the 30th September (Appendix III., Annex 9). In the course of his observations on the recommendations of the Committee, the *rapporteur* made the statement that in India the population "has cultivated the opium poppy from time immemorial." It was pointed out privately that this was incorrect in present conditions, poppy cultivation being restricted to certain definite tracts, and in his verbal report to the Assembly M. Ferreira omitted the passage. Steps were then taken to ensure that the passage would also be omitted from the final official text of the report. *Action by the Assembly.*

136. It had been finally arranged by Sir William Meyer with Mr. Wellington Koo that neither China nor India should address the Assembly on the subject of opium, and the debate was brief, being confined to representatives of Persia, France and the Netherlands, the last mentioned (M. van Swinderen) merely intervening as representing the Power under whose auspices The Hague Convention had been summoned and which had hitherto been its guardian. The speech delivered by M. Hennessy (France) was an explanation of his recommendation above referred to.

The Assembly unanimously passed the resolution which had been put before it and which will be found in Appendix II. (Resolution No. 15). Paras. 4 and 8 of this resolution are those dealing with the questions which had been in issue between the Indian and Chinese Delegates.

136A. It may be added that subsequently the Council once more appointed Mr. Wellington Koo as their *rapporteur* on the subject of the Assembly's resolution, and that he proposed, and obtained, its acceptance, suggesting that, with reference to para. 10 of the resolution, Germany and the Serb-Croat-Slovene State should be asked to send representatives to the Technical Advisory Committee.

DEPORTATION OF WOMEN AND CHILDREN IN TURKEY AND ADJOINING COUNTRIES.

137. On the 23rd September the Assembly passed unanimously a resolution (Appendix II., Resolution 8), which was presented by Mlle. Vacaresco (Rumania), in an eloquent speech, and had been approved in Committee V., on the subject of the deportation of women and children in Turkey and the adjoining countries. The resolution recommended the establishment in Constantinople of a Commissioner of the League of Nations, who should be assisted by a Committee consisting of the High Commissioners of France, Great Britain and Italy, and should be placed in control of a mixed Board dealing with the reclamation of women and children. It also proposed that the Neutral House for the temporary reception of women and children should be reorganised and placed under the Commission of Enquiry, and that additional Neutral Houses should be opened as circumstances admit.

TRAFFIC IN WOMEN AND CHILDREN.

138. The Committee discussed an *exposé* by Mlle. Forchhammer (Denmark) on the present position in regard to what used to be the "white slave traffic," but is now, to avoid racial distinction, to be styled the "traffic in women and children."

The position, as it stood at the close of last year's Assembly, is indicated in Resolution 27 of Appendix II. to the Indian Delegation's Report. There was an international agreement dealing with this subject in 1904, to which India was a party, and a convention in 1910, which India abstained from agreeing to, on the ground that the age limits were inappropriate.

139. In accordance with the Assembly's wish of last year, a special Conference was held last June, at which India was very ably represented by Mr. S. M. Edwardes, C.I.E., whose report indicated that the recommendations of this Conference for a new convention might be accepted by India, subject to certain stipulations in regard to age and other matters. A draft convention embodying the "Final Act" of the Conference, which sums up its proposals, had been drawn up by the British representative on the Council, and this now came before Committee V.

The resolution proposed by Mlle. Forchhammer and redrafted by Professor Gilbert Murray was to the following effect:—

- (a) That the Assembly confirm the Final Act of the Conference on the Traffic in Women and Children.
- (b) That the amended draft convention based on the Final Act of the Conference be adopted, and that a protocol of signature be opened at the Assembly.
- (c) That all Delegates be requested to communicate immediately with their respective Governments asking for full powers to sign the protocol.

140. For some rather obscure reason the French Delegate opposed this procedure very vehemently, and raised the point that it was *ultra vires* for the League to draw up a convention, overlooking apparently that this method had been adopted last year in connection with the International Tribunal at The Hague. The French contention that, at any rate, there should be a preliminary reference to Committee I., which deals with constitutional questions relating to the Covenant, was rejected by 17 votes to 8, and by 17 votes to 5 the Committee accepted the resolution as drafted by Professor Gilbert Murray.

141. In the course of the discussion Mr. Sastri made it clear that India could not accept the age limit (21) now proposed for the protection of girls. India's internal legislation fixed this age at 16, and having regard to early maturity in tropical countries, that age could not be expediently exceeded, while it would obviously be undesirable to have a special higher limit for the benefit of a very limited number of non-Indians. (This in effect was the argument which India had put forward against joining the convention of 1910.)

India's objection to the age limit was supported by the representatives of Japan and Siam, and it was decided that their reservations should be indicated.

The Committee instructed the *rapporteur* (Professor Murray) to provide for this in the draft convention, and to make sure that the latter did not go beyond the recommendations of the Final Act adopted by the Conference.

As regards signature of the convention before the Assembly dissolved, Sir William Meyer was unable to take this course, as the Government of India had not yet had the opportunity of expressing their views as regards either the report of Mr. Edwardes or the draft convention itself.

142. At a later meeting Professor Murray's report, in which he had been assisted by a small drafting Committee, was brought up. They proposed some slight verbal alterations in the convention, to make it follow more closely the wording of certain recommendations of the Conference, and expressed the opinion that the reservations as to age by India, Japan and Siam, which were approved by the Committee, might be made on behalf of these Governments at the time of signing by their representatives, and need not involve an alteration of the text itself.

143. Professor Murray then proposed a resolution in verbal amendment of that referred to in para. 139 *supra*, to the following effect:—

"That the Assembly, having taken into consideration the Final Act of the Conference at Geneva on traffic in women and children approved by the Council, expresses the wish that those of its provisions which require conventional form be adopted in that form by the Members of the League with the least possible delay.

"That for the purpose the Assembly recommends that the Delegates, who have the necessary full powers to sign the draft convention annexed, should sign it without delay, and that those who do not yet possess them be invited to communicate immediately with their respective Governments in order to obtain the necessary powers to sign."

The French Delegate (M. Hennessy) said that France must also make reservations as to age in connection with her tropical colonies, and as there was not sufficient time left to consider the draft convention thoroughly, he suggested that a new special

Conference should be held to examine it. This proposal was supported by M. Avramovitch (Serb-Croat-Slovene State), but the revised resolution was carried by 14 votes to 2. Mr. Balfour, in the course of the discussion, observed that an age reservation would also have to be made in regard to certain of the British Crown Colonies, and that for the present he could only sign on behalf of the United Kingdom.

144. On the 29th September Professor Gilbert Murray (South Africa) presented the Committee's report to the Assembly. Having explained the matters at issue, and noted the reservation by the representatives of India, Siam, and Japan in respect of the age question, he put forward the resolution referred to above. *Action by the Assembly.*

145. The French Delegate put forward the alternative proposal that the Assembly should invite the Governments of the constituent States of the League to examine the "Final Act" of the Conference of 30th June last and the draft convention drawn up by the British representative on the Council of the League; that States should be asked to indicate within four months whether they would agree to have a protocol of signature in respect of this convention opened at Geneva, and that such protocol should be opened if and when two-thirds of the States consulted had sent in favourable replies in respect thereof; also that if not less than one-half of the States of the League asked for an entirely fresh Conference to consider the convention, this Conference should be at once convened.

M. Hanotaux (France) said that he took exception to the resolution before the Assembly because the convention was the work, not of a Committee composed of delegates of the Powers, but of what might be called a private drafting Committee. (There seemed to be a good deal of jealousy on the part of France that Great Britain had prepared this draft without preliminary reference to her.) He contended that the convention differed in various respects from the "Final Act" of the special Conference of June last, and that it would appear to exclude colonies and dependencies. Professor Murray replied that the original British draft had been revised by a Committee of Jurists in co-operation with French experts, and that it had been again gone into, and revised, by two members of the Assembly who had been elected Judges of the Permanent Court of International Justice.

146. Mr. Balfour pleaded eloquently for the adoption of the original resolution, pointing out the delay that the French proposal would involve, and asking the Assembly not to admit any avoidable delays in respect of a traffic which was a discredit to the world. The same line was taken by other speakers, *e.g.*, M. La Fontaine (Belgium) and M. Ador (Switzerland), while M. van Swinderen (Netherlands) asked whether M. Hanotaux would agree to shorten the four months' period in his resolution to two months, and suggested that the protocol might be opened for signature as soon as one-third of the States of the League had expressed their approval of the convention. M. Hanotaux expressed his willingness to adopt this suggestion, but it was not satisfactory to the great majority of the Delegations, and on a division the French proposal was thrown out by 25 votes to 8, the French supporters being the Netherlands, Poland, Czecho-Slovakia, Serb-Croat-Slovene State, Costa Rica, Cuba and Venezuela.

The original resolution was passed without a dissentient vote, France abstaining. (Appendix II., Resolution No 14.)

The draft convention as it now stands is printed in Appendix III. (Annex 10).

TYPHUS.

147. At the meeting of the 14th September, M. Ador (Switzerland) read a statement summarising the action that had been taken by the Special Epidemics Committee appointed to administer the funds raised from Governments and individuals for combating typhus and other epidemic diseases in Poland, and considered that the work had been very successful, having regard to the paucity of funds available. He pointed out that the difficulties were increased by the present economic situation in Russia, and begged the Committee to pass a resolution asking the Governments of the League to grant adequate subsidies. On the motion of Mr. Wellington Koo, a resolution was adopted to the effect that the Assembly be asked to recommend that the organisation of the Epidemic Committees be continued, and, if necessary, extended to other countries, and that the Presidents of the Assembly and the Council should be asked to issue a special appeal to Members of the League for further contributions.

*Action by the
Assembly.*

148. In presenting the Committee's report to the Assembly, M. Ador (Switzerland) said that out of the money promised by various States only 120,000*l.* had actually been paid, France being among the countries which had not yet contributed, and that meanwhile the Epidemics Committee set up to administer these funds had been able materially to improve the working of the health organisation in Poland. The resolution referred to above was then passed unanimously. (Appendix II., Resolution No. 5.)

THE INTERNATIONAL CO-ORDINATION OF INTELLECTUAL WORK.

149. This was a matter which the Assembly had decided to take up last year (*vide* para. 71 of the Indian Delegates' Report). The Committee expressed approval of a draft resolution prepared by M. Bourgeois (France), which had been put forward by the Council, and which was to the effect that a Committee should be set up "to examine international questions regarding intellectual co-operation and education," which should submit to the next Assembly a report on measures that might with advantage be taken by the League to promote international co-operation with regard to intellectual work.

The Committee resolved that this special Committee should consist, as proposed by M. Bourgeois, of not more than 12 members, to be selected by the Council, and on the proposal of the Norwegian Delegate it was decided to indicate that these members might include women. In the resolution as approved by the Committee, a reference to methods of education, which had been proposed in the Bourgeois draft, was omitted, as it was thought undesirable to create the impression that the League was anxious to interfere with national educational systems.

*Action by the
Assembly.*

150. Professor Gilbert Murray (South Africa) who was appointed to put the matter before the Assembly, presented the Committee's report at the plenary meeting on the 22nd September, and indicated in the course of his speech that action for the co-ordination of intellectual work would be specially valuable in three main respects:— (1) for the protection of intellectual workers who in many countries had been reduced to a condition of great distress; (2) for the practical advancement of knowledge, which had been seriously impeded by the war; (3) for the spread of the international spirit.

This resolution was carried unanimously. (Appendix II., Resolution No. 4.)

EASTERN GALICIA.

151. On the 27th September the Assembly adopted without discussion a resolution asking for expedition on the part of the Allied and Associated Powers on the subject of determining the status of Eastern Galicia originally proposed by Mr. Doherty (Canada) and approved with slight alterations by Committee No. V. (Appendix II., Resolution No. 11.)

Work of Committee No. VI. (Political Questions).

ADMISSION OF NEW STATES TO THE LEAGUE.

152. The candidates were Esthonia, Latvia and Lithuania—who were not admitted last year on the ground that their internal conditions were at the time very uncertain and that the League could not well protect them in the event of Russian re-vindication—and Hungary.

The Committee now thought that the time had come for the full admission of the three States first-named, which had been permitted last year to join the League's technical organisations, and this recommendation was endorsed by the Assembly.

153. As regards Hungary, the Hungarian emissaries present in Geneva decided to ask that their application for admission should be postponed till next year, and this was a wise course to take as at the recent Assembly Hungary's application would certainly have been rejected in view of her attitude in regard to the territories she was to cede to Austria and other treaty obligations. (Appendix II., Resolution No. 17.)

ALBANIA.

154. The Committee sitting of the 26th September was devoted to a rather stormy discussion, in which the protagonists were the Albanian and Serbian delegates, as to the situation in Albania.

The Albanian delegate (Bishop Fan Noli) had proposed that the League of Nations should request the principal Governments concerned to compel the Serbs to withdraw from Albanian territory they occupied in defiance of the boundaries fixed in 1913; that a commission should be sent to report on the situation on the spot; and that the League should use its influence to obtain *de jure* recognition of the Tirana Government.

Mr. Fisher (Great Britain) indicated that the actual delimitation of the frontiers of Albania had been referred to the Conference of Ambassadors, that the British view was that their decision when announced would be binding, and that the Greek and Serb-Croat-Slovene Governments had bound themselves to accept this decision, but the Albanian Government had not done so. He urged Bishop Fan Noli to follow the example of his neighbours. The Marquis Imperiali (Italy) agreed with Mr. Fisher that the Conference of Ambassadors alone was competent to deal with this frontier delimitation. Lord Robert Cecil proposed two resolutions, viz., that the Assembly should (1) recommend to Albania acceptance of the decision that would be come to by the Supreme Council on the report of the Ambassadors Conference, and (2) should request the Council of the League, after the decision of the Supreme Council had been given, to appoint forthwith a commission of three impartial persons to proceed to Albania and report as to the execution of this decision. M. Reynald (France) and M. Frangulis (Greece) opposed this latter resolution, but after some discussion it was carried, as also the first.

Lord Robert Cecil also obtained approval to a suggestion that representations should be made in respect of speedy decision by the Ambassadors Conference in regard to the territorial disputes between Albania, Greece, and the Serb-Croat-Slovene State.

155. These resolutions were presented by Lord Robert Cecil to the Assembly on the 3rd October, with a supplementary resolution that, in order to provide for the expenses of the Committee of Enquiry proposed, the sum of 100,000 gold francs should be provided in the budget of 1922. There was considerable discussion, in which the representatives of Albania, Italy, Serb-Croat-Slovene State, Greece, France, and Mr. Balfour took part, and the Greek delegate (M. Casangis) proposed that to the Committee of Enquiry should be added representatives of Greece, Albania, and Serbia. This amendment was, however, withdrawn on the appeal of Lord Robert Cecil, who pointed out that the addition of interested parties was not likely to help the Commission to speedy and impartial decisions. The resolutions were then adopted, with the proviso that that relating to the vote of credit must be further considered in connection with the discussion of the Budget. (Appendix II., Resolution No. 20.)

*Action by
the Assembly.*

FAMINE IN RUSSIA.

156. On the 9th September Dr. Nansen moved the following resolution in the Assembly:—

“That the Assembly refer to a Committee the question of the present famine in Russia.

“That the Committee consider whether it is advisable for the Assembly (1) to make a pressing appeal to the Governments to provide the necessary credits, and (2) to invite the Council to offer the services of the Organisation for International Credits (established by the Council of the League in connection with the Ter Meulen scheme) to act as trustee for the financial control of any credits made available and for the supervision of any security provided by the Russian Government against such credits.”

In a speech which he made in introducing the resolution, Dr. Nansen said that the action of the International Conference held at Geneva on the 15th August in appointing him High Commissioner for Relief Work in Russia had enabled him to study the situation on the spot. He had satisfied himself that the condition of famine in the affected districts had not been exaggerated, and that an expenditure of 300 million was needed in order to obtain the necessary grain supplies from outside Russia. He considered that adequate control could be exercised, both over relief supplies and credits advanced to Russia, by the Western Governments.

157. The resolution was referred to Committee No. VI., which reported on the subject to the Assembly on the 30th September.

The report was introduced by M. Motta, who stated that although the Committee could not adopt the suggestions contained in Dr. Nansen's resolution, it had decided that it could not remain indifferent or abstain from all action. As regards the question of official credits, the Committee considered that as the Supreme Council had appointed an International Relief Committee, to meet at Brussels on 6th October, which would contain representatives of 27 Governments, including the United States of America and Germany, the League should not take up a question which was to be decided by another body. In the matter of the agreements which had been concluded between Dr. Nansen and the Soviets, the Assembly was not competent to do more than affirm its confidence in Dr. Nansen. On the other hand, the Committee had decided that it was necessary to address an appeal to public opinion and to the charitable organisations of the world; that it was desirable to call attention to the claims for relief of Armenia, Azerbaidjan, and Georgia; and that Governments might help by surrendering military stores of clothing and provisions accumulated during the war. M. Motta also associated himself with two supplementary resolutions proposed by Lord Robert Cecil, the first a motion of confidence in Dr. Nansen, and the second expressly disengaging the responsibility of the League for Russian relief in view of the statement made by several delegates to the effect that their Governments would not grant official credits.

Dr. Nansen mourned eloquently over the defeat of his resolution, which he said had not been proposed in order to strengthen appeals to private charities, which needed no such spur. It was a disastrous mistake to throw the burden upon these organisations, which could not cope with the situation. The American organisation was feeding 3,000,000 children; the Pope had given a million lire; the "Save the Children Fund" could feed a quarter of a million; and the Second International at Amsterdam had contributed 10,000,000 marks. But this was not enough. The Governments of Norway, Sweden, Esthonia, Latvia and Lithuania had already acted, and he was convinced that the people of Europe would compel their Governments to revise their present decision. Unless this were done the Brussels Conference could effect nothing. His agreement with the Soviets had been criticised, but if no help were forthcoming until a Committee of Enquiry had been sent into Russia and a new agreement drawn up, then that help would come too late.

M. Spalaikovitch (Serb-Croat-Slovene State) then proposed the following amendment to the Committee's resolution:—

"The Assembly most severely condemns the economic and political system of the Soviet Government and holds it chiefly responsible for the present catastrophe in Russia and for the attempt to conduct a criminal propaganda with the object of causing similar catastrophes in other countries."

Mr. Fisher begged that this might be withdrawn, and by way of propitiation proposed to substitute the following for Lord Robert Cecil's motion of confidence in Dr. Nansen:—

"The Assembly has no sufficient information as to the influences by which the Soviet Government is moved, or as to the conditions under which it is working, but it considers that Dr. Nansen's successful repatriation of prisoners of war augurs well for any enterprise he may be prepared to undertake for the relief of famine-stricken regions in Armenia, Azerbaidjan, Georgia and Russia."

Both Lord Robert Cecil and M. Spalaikovitch agreed to this, and the resolution was passed by the Assembly, together with the resolutions put forward by the Committee and the further resolution proposed by Lord Robert Cecil, and referred to above, which emphasised that the main reason why the Assembly could take no official action was because delegates had stated that their Governments could not give credits. (Appendix II., Resolution No. 16).

NATIONAL HOME FOR TURKISH-ARMENIANS.

158. A resolution moved in the Assembly by Professor Gilbert Murray, urging the Council of the League of Nations to press upon the Supreme Council the necessity, when peace was finally made between the Turks and the Allies, for safeguarding the future of Armenia and providing the Armenians with a national home independent of Turkish rule was adopted by Committee No. VI., and unanimously passed in the Assembly on the 21st September, though M. Bourgeois (France) held that this matter was outside the competence of the Assembly, and even of the Council of the League, and asked to make a reservation on this point. The resolution as passed by the Assembly is printed in Appendix II. (Resolution 3).

MANDATES.

159. The Committee also considered a resolution moved by Lord Robert Cecil in respect of Mandates which ran as follows:—

“The Assembly regrets the delay which has taken place in the definition of the Mandates, recognises that the Council is not responsible for that delay, and is of opinion that it would be desirable that the Mandates of the A. and B. classes should be forthwith defined.” (For definition of A, B and C Mandates, see the Indian Delegation’s Report of last year, para. 146.)

The consideration of this motion was referred to a sub-Committee on which the representatives of the British Empire were Lord Robert Cecil himself, Mr. Fisher and Mr. Doherty (Canada).

160. The report of the sub-Committee, which was presided over by Dr. Nansen (Norway), was approved by the full Committee and considered by the Assembly at the sitting of the 23rd September. *Action by the Assembly*

The sub-Committee’s report fully endorsed the view taken in Lord Robert Cecil’s resolution and proceeded to add various remarks. The principal of these were that—

- (1) The Committee felt it would be premature to press for immediate action in respect of A. Mandates, but that B. Mandates, which are founded on the Treaty of Versailles, might be more expeditiously dealt with.
- (2) It was consequently desirable that the Council should at the earliest possible opportunity formally approve the application of the mandate system to Togoland and the Cameroons, and adopt in principle the declaration signed by the representatives of the French and British Governments on 10th July 1919, as to the respective spheres which are to be placed under the authority of each Government.
- (3) It was desirable that the Assembly should invite the Council to state that it is satisfied by its perusal of the draft Mandates that, generally speaking, the principles there laid down carry out the objects which the Covenant has in view, and lay down adequate safeguards for the rights of all Members of the League; and that the Council should express its confidence that Mandatory Powers will continue the administration of the territories committed to their charge in the spirit of the draft Mandates, till it becomes possible to have their Mandates definitely regularised.

Some discussion took place on this, and Lord Robert Cecil, who had been a member of the sub-Committee, said that personally he would like to see stronger provisions under the B. Mandates in regard to the abolition of slavery, the liquor traffic and land. He also had some misgivings as to the provisions of the draft Mandates for Togoland and the Cameroons, which appeared to allow the Mandatories in effect to treat these territories as an integral part of their dominions, but he admitted that there appeared to be no breach of Article 22 of the Covenant. He had associated himself with the report of the sub-Committee, instead of submitting a minority report, on receiving assurances from the representatives of Great Britain, France and Belgium that their Governments would raise no objection to an examination of reports on the mandated territories by the Mandates Commission set up by the Assembly last year, pending definite regularisation of the situation.

It was then proposed that the Assembly should endorse the Committee’s report, and after discussion this was carried unanimously. M. Bourgeois (France) indicated, however, that, while it was the desire of the Council to carry out the work in connection with Mandates as far as possible, he must enter a *caveat* against any action which might prejudice the negotiations going on between the United States and the principal Allied Powers. The Assembly’s resolution is printed in Appendix II. (Resolution No. 9), and the Committee’s report in Appendix III. (Annex 11).

Miscellaneous Questions dealt with in Full Assembly.

Poland and Lithuania.

161. On the 24th September the Assembly took up a whole day, morning and afternoon, in a discussion on the Polish-Lithuanian question in respect of Vilna, &c. This had been debated by the Council on the 19th and 20th, and on the latter day there had been the innovation of the Council’s debate being in public. That meeting had been signalised by a very striking and eloquent speech by Mr. Balfour, in which

he strongly criticised the action of the two litigants in evading real decision on the proposals of M. Hymans, who, with their consent, had been appointed by the Council to try to obtain agreement between them. Reading between the lines, his criticism was mainly directed against Poland, as the chief sinner by reason of the fact that General Zeligowski is still in possession of Vilna with the evident connivance of the Polish Government.

The Council had passed a resolution to the effect that they unanimously accepted M. Hymans' second draft scheme, which did not differ in principle from the first, the underlying idea of both being that Vilna should be assigned to Lithuania but on a separate cantonal basis; and that as the Assembly was in session, M. Hymans would be asked to explain to them the present position of the dispute "in order that the Assembly may by its authority contribute to a settlement of the question."

M. Hymans made a very fine speech, explaining at length the phases of the negotiations and the difficulties he had encountered from both parties, and he appealed to both to make sacrifices in the cause of peace.

He was followed by M. Miloscz for Lithuania, who said that his Government were ready to accept, with some modifications, M. Hymans' latest final scheme, but that the dispute could not be ended till General Zeligowski had evacuated Vilna.

M. Askonasy (Poland) made a very lengthy oration on behalf of his country, but the general impression of the Assembly was well summed up by Lord Robert Cecil, who indicated that the old sympathy of the world with Poland had been materially reduced by the evident connivance of her Government in the Zeligowski *coup d'état*. He proposed a resolution, with a rider suggested by M. Zahle (Denmark), urging the two peoples to come to an agreement, and extending the support of the Assembly to the Council in their handling of the matter. (Appendix II., Resolution No. 10.)

Repatriation of Prisoners of War.

162. Dr. Nansen (Norway) read a report on his operations in regard to the repatriation of prisoners of war, in which he stated, *inter alia*, that he had received financial support from various Governments to the extent of 425,000*l.*, Great Britain having been the most liberal contributor, and that as against these funds some 380,000 people had been returned to their families, many of them from remote parts of the old Russian Empire where communications were exceedingly difficult. He paid tribute to the effective co-operation of the Soviet and German Governments.

A Universal Language.

163. A recommendation, signed by 13 Delegates, including His Highness the Maharao of Kutch, presented to the Assembly a resolution for the encouragement of Esperanto as an universal language. (A similar resolution was put forward last year and rejected—*vide* para. 70 of the Indian Delegation Report on the work of last year's Assembly.) It was decided to postpone the consideration of the question. (Appendix II., Resolution No. 42.)

The Election of the non-permanent Members of the Council.

164. This matter was dealt with at the Assembly meeting on the 5th October, after the Report of Committee No. I. on Article 4 of the Covenant had been considered and approved (*vide* para. 38).

It followed that the Assembly was morally bound by its own action to re-elect the existing non-permanent States. But as a formal election was necessary, it was decided that this might be by collective voting for all four States instead of by a ballot for one State at a time as last year. The result was the re-election of Brazil, Spain, Belgium and China.

Concluding Remarks.

165. The Assembly broke up on the evening of the 5th October. The work done this year was of a quite solid and useful nature, and the League obtained a considerable amount of prestige by the reference to its Council of the solution of the Upper Silesian question. Whether that prestige will be maintained depends, of course, on the working out in practice of the Council's partition scheme. The coping-stone was laid, by the election of judges, to the Tribunal of International Justice, and useful decisions were taken in regard to technical organisations, and with reference to the traffic in women and children, while the question of the reduction of armaments was

discussed in a more practical manner than in 1920, though it was felt that no great progress could be made pending the results of the conference at Washington. The Assembly felt itself unable to follow up Dr. Nansen's request for Government credits for the alleviation of the famine in Russia, but expressed full sympathy with his philanthropic crusade.

As regards matters in which India was specially concerned, we obtained complete satisfaction in the matter of the Assembly's redraft of the Council's resolution on the subject of opium; we made ourselves materially felt in Committee IV., and obtained some reductions in expenditure, and the adoption of a resolution as to paying greater attention to representation of nationalities, our own included, in the League Secretariats. We had also the satisfaction of seeing the adoption of the proposal that the Indian Delegation made last year, which was then rejected, for an outside Committee of Control over the estimates and accounts of the Secretariat and the International Labour Bureau. As regards allocation of contributions, we have had for the time being (subject to the ratification of our Government) to accept a provisional scheme in substitution of the Postal Union scale, which burdens India more than the latter did, but we have obtained, though not in such a definite form as we should have wished, the principle that this scheme is only provisional and that it ought to be replaced by a better.

Our relations with the Dominions representatives, though very friendly, were not so close as last year, as we were at variance over the allocation scheme.

As last year, we received valuable assistance on occasion from the British Delegation and were specially indebted to Mr. Balfour for kindly advice and endeavour to reconcile differences when these arose, as in regard to the allocation scheme, between ourselves and some of the Dominions. As last year again, the delegates of India all worked together in the most cordial and harmonious way.

W. S. MEYER.

MAHARAO KHENGĀRJI OF KUTCH.

V. S. SRINIVASAN.

LONDON,
25th November 1921.

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APPENDIX I.

List of States represented and of their Delegates. (Many Delegations were also accompanied by Substitute Delegates other than those mentioned in this List and numerous Expert Advisers.)

- ALBANIA.—Mgr. Fan S. Noli (Member of Parliament). M. Midhat Frasheri (Member of Parliament, President of the Albanian Delegation in Paris). M. Michel Hil Mosi (Member of Parliament).
Substitute and Secretary-General—Dr. Benoit Blinishti (Member of the Albanian Ministry of Foreign Affairs).
- AUSTRALIA.—Captain Stanley Melbourne Bruce, M.C. (Member of Parliament). Mr. Malcolm Lindsay Shepherd, I.S.O. (Acting High Commissioner in Great Britain).
- AUSTRIA.—M. Albert Mensdorff-Pouilly-Dietrichstein (former Ambassador).
Deputy Delegate.—M. Emeric Pflugl (Resident Minister).
- BELGIUM.—M. Paul Hymans (former Minister of Foreign Affairs, Minister of State). M. P. Pouillet (former President and Member of the House of Representatives). M. Henri La Fontaine (Vice-President of the Senate, President of the Union of International Associations). M. Henri Rolin (Assistant Legal Adviser at the Ministry of Foreign Affairs).
- BOLIVIA.—M. Carlos Victor Aramayo. Dr. Demetrio Canelas.
- BRAZIL.—M. Gastao da Cunha (Ambassador at Paris). M. Raoul Fernandes (Member of the Federal House of Representatives). M. Cincinato da Silva Braga (Member of the Federal House of Representatives).
- BRITISH EMPIRE.—The Right Hon. A. J. Balfour, O.M., M.P. (President of the Privy Council). The Right Hon. H. A. L. Fisher, M.P. (Minister of Education). The Right Hon. Sir J. Rennell Rodd, G.C.B., G.C.M.G., G.C.V.O.
- BULGARIA.—M. Alexandre Stamboliusky (Prime Minister, Minister of Foreign Affairs). M. Stephane Paparetoff (Minister Plenipotentiary at Washington). M. Svétoslav Pomenow (Chargé d'Affaires at Berlin).
- CANADA.—The Right Hon. Charles Joseph Doherty, M.P. (Minister of Justice). The Hon. Sir George H. Perley, K.C.M.G. (High Commissioner in London).
- CHILE.—His Excellency M. Agustin Edwards (Envoy Extraordinary and Minister Plenipotentiary in Great Britain). M. Manuel Rivas-Vicuna (Envoy Extraordinary and Minister Plenipotentiary). M. Jorge Valdés-Mandeville (Chargé d'Affaires in Switzerland). Lieut.-Col. Manuel Bulnes (Military Attaché).
- CHINA.—Dr. Vikiuin Wellington Koo (Envoy Extraordinary and Minister Plenipotentiary in London, Representative on the Council of the League of Nations). M. Tang Tsai-Fou (Envoy Extraordinary and Minister Plenipotentiary at Rome). Dr. Wang Chung-Hui (President of the Supreme Court of China).
- COLOMBIA.—Dr. Francisco José Urrutia (Envoy Extraordinary and Minister Plenipotentiary in Switzerland and Spain). Dr. Antonio José Restrepo (Barrister for the Republic in the Colombo-Venezuelan Arbitration).
- COSTA-RICA.—M. Manuel de Peralta (Minister at Paris)
- CUBA.—Señor Cosme de la Torriente (Senator, President of the Commission of Foreign Affairs, Member of the Hague Arbitral Tribunal, former Minister Plenipotentiary, former Minister of Foreign Affairs). Dr. Aristides de Aguiar y Bethancourt (Minister Plenipotentiary in Germany). Señor Guillermo de Blanck (Minister Plenipotentiary in Switzerland and Holland).
Deputy Delegate and Secretary.—Dr. Miguel Angel Campa (Minister Plenipotentiary in Japan).
- CZECHO-SLOVAKIA.—Dr. Edouard Benes (Minister of Foreign Affairs). Dr. Cyrill Dusek (Minister of Czecho-Slovakia in Switzerland). Dr. Stefan Osusky (Minister of Czecho-Slovakia at Paris).
Substitutes.—Dr. Robert Flieder (Chargé d'Affaires in Vienna). M. Pavel Baráček-Jacquier (Councillor of Legation). Dr. Jan Reisser (Councillor of Legation). Dr. Ivan Krno (Councillor of Legation).
- DENMARK.—M. Herluf Zahle (Chamberlain, Envoy Extraordinary and Minister Plenipotentiary in Stockholm, Member of the Permanent Court of Arbitration). Dr. Laust Moltesen (Member of Parliament, Doctor of Philosophy). Dr. P. Munch (Member of Parliament, Doctor of Philosophy).
Substitutes.—M. Andréas de Oldenburg (Envoy Extraordinary and Minister Plenipotentiary at Berne). Count Bent Holstein (Member of Parliament, Barrister at the Court of Appeal). M. J. Borgbjerg (Member of Parliament).
- FINLAND.—M. Charles Enckell (Minister Plenipotentiary at Paris). M. Rafael Waldemar Erich (Envoy Extraordinary and Minister Plenipotentiary, Professor at the University of Helsingfors, former Prime Minister). M. Emile Einar Book (Director-General of the Department for Social Affairs).

- FRANCE.**—M. Léon Bourgeois (President of the Senate, French Representative to the Council of the League of Nations). M. René Viviani (Member of the Chamber of Deputies, former Prime Minister). M. Gabriel Hanotaux (Member of the French Academy, former Minister of Foreign Affairs).
Substitutes.—M. Georges Marie Reynald (Senator). M. Georges Noblemaire (Member of the Chamber of Deputies). M. Maurice Sibille (Member of the Chamber of Deputies). M. Jean Hennessy (Member of the Chamber of Deputies).
Deputy Delegate—M. Richard William Martin (Minister Plenipotentiary).
- GREECE.**—M. Georges Baltazzi (Minister of Foreign Affairs). M. Démètre Panas (Minister at Bucarest). M. G. Streit (former Minister of Foreign Affairs).
Deputy.—M. Dendramis.
Substitutes—M. Stélio Seferiades (Professor of International Law). M. Const. Kajandjis (Governor-General of Eastern Macedonia). M. Antome F. Frangulis (Resident Minister).
- HAITI.**—M. Dante S. Bellegarde (Minister at Paris).
- INDIA.**—Sir William Stevenson Meyer, G.C.I.E., K.C.S.I. (High Commissioner for India). His Highness the Maharao of Kutch, G.C.S.I., G.C.I.E. The Right Hon. V. S. Srinivasa Sastri.
- ITALY.**—M. Vittorio Scialoja (Senator, Professor at the Royal University of Rome). Marquis Guglielmo Imperiali dei Principi di Francavilla (Ambassador, Senator). M. Carlo Schanzer (Vice-President of the State Council, Senator).
Substitutes.—M. Maggiorino Ferraris (Senator, former Minister). Prince Pietro Lanza di Scalea (former Member of the Chamber of Deputies, former Under Secretary of State for Foreign Affairs). Prince Alberto Giovannelli (former Member of the Chamber of Deputies).
- JAPAN.**—Baron Hayashi (Japanese Ambassador to Great Britain). Viscount K. Ishii (Japanese Ambassador to the French Republic). M. Minéitcirō Adatci (Japanese Ambassador to Belgium).
Substitutes.—M. S. Tatsuke (Minister in the Netherlands). M. A. Ariyoshi (Minister in Switzerland).
- LIBERIA.**—Baron Rudolph Auguste Lehmann (Chargé d'Affaires at Paris).
Substitute and Secretary.—M. Nicolas Ooms (Secretary of Legation in France).
- LUXEMBURG.**—M. Emile Reuter (Minister of State, Prime Minister). M. Antoine Lefort (Councillor of State).
- NETHERLANDS.**—Jonkheer H. A. van Karnebeek (Minister of Foreign Affairs). Jonkheer R. de Marees van Swinderen (Envoy Extraordinary and Minister Plenipotentiary in London, former Minister of Foreign Affairs). Professor A. A. H. Struycken (Member of the Council of State, Member of the Permanent Court of Arbitration).
Substitutes—Professor M. W. F. Treub (Member of the Chamber of Deputies, former Minister of Finance, former Minister of Agriculture, Industry and Commerce). Jonkheer W. J. M. van Eysinga (Professor at the University of Leyden).
- NEW ZEALAND.**—The Right Hon. W. F. Massey, M.P. (Prime Minister). Colonel Sir James Allen, K.C.B. (High Commissioner).
- NORWAY.**—Dr. Nansen (Professor at the University of Christiania). M. O. Blehr (Prime Minister). M. Christian Michelet (Barrister, Member of Parliament, former Minister of Foreign Affairs).
Substitutes.—Dr. Christian Lous Lange (Secretary-General of the Inter-Parliamentary Union). Dr. Mikael H. Lie (Professor at the University of Christiania). Dr. (Miss) Kristine Bonnevie (Professor at the University of Christiania).
- PANAMA.**—Dr. Raoul Amador (Chargé d'Affaires at Paris).
- PARAGUAY.**—Dr. Hector Velázquez (Envoy Extraordinary and Minister Plenipotentiary). M. Montero.
- PERSIA.**—Prince Arfa-ad-Dovleh (Ambassador, former Minister of Justice). Emir Zoka-ed-Dovleh (Envoy Extraordinary and Minister Plenipotentiary of Persia in Switzerland).
- POLAND.**—Professor Simon Askenazy. M. Casimir Olszowski (Director at the Ministry of Foreign Affairs). M. Jean de Modzelewski (Minister Plenipotentiary in Switzerland).
- PORTUGAL.**—M. João de Mello Barreto (Minister for Foreign Affairs). M. Freire d'Andrade (former Minister for Foreign Affairs). M. Antonio Maria Bartholomeu Ferreira (Minister at Berne).
- RUMANIA.**—M. N. Titulesco (Minister of Finance). Professor Thomas Jonesco (Member of the Chamber of Deputies, Chancellor of the University of Bucarest). Professor Démètre Negulesco (former Member of the Chamber of Deputies, Professor of Law at the University of Bucarest).
Substitute.—Miss Helen Vacaresco.
- SERB-CROAT-SLOVENE STATE.**—Dr. Miroslav Spalaikovitch (Member of the Chamber of Deputies, former Minister of Foreign Affairs). Dr. Miloutine Yovanovitch (Minister Plenipotentiary at Berne). Professor Miléta Novakovitch (Professor at Belgrade University).
- SIAM.**—Prince Charoon (Minister at Paris, Representative to the League of Nations). Phya Bibadh Kosha (Minister at Rome, Madrid and Lisbon).
Substitutes and Secretaries.—M. Chune Charavastra (Secretary to the German-Siamese Mixed Arbitral Tribunal). M. T. L. Hoontrakool (Third Secretary to the Legation in Paris).

SOUTH AFRICA.—The Hon. Sir Edgar Harris Walton, K.C.M.G., High Commissioner in London, The Right Hon. Lord Robert Cecil, K.C., M.P. Professor George Gilbert Aimé Murray, M.A., LL.D.

Substitute.—Sir Henry Strakosch.

SPAIN.—Count de Gimeno (Senator, former Minister of Foreign Affairs). M. José Quiñones de León (Ambassador at Paris, Representative on the Council of the League of Nations). M. Emilio de Palacios (Under Secretary of State for Foreign Affairs, Envoy Extraordinary and Minister Plenipotentiary).

Substitutes.—Admiral Marquis Magaz. M. José de Yanguas (Member of the Chamber of Deputies, Professor at the University of Madrid).

SWEDEN.—M. Hjalmar Branting (Member of the Chamber of Deputies, former Prime Minister). M. Trygger (Senator, former Judge of the Supreme Court). M. Lofgren (Former Minister).

Substitutes.—Baron F. Ramel (Minister at Christiania). Madame Anna Bugge-Wicksell (Master of Law). Professor Oesten Unden (former Minister of Justice, Professor at the University of Upsal).

SWITZERLAND.—M. Giuseppe Motta (Federal Councillor, Head of the Federal Political Department). M. Gustave Ador (Former Federal Councillor, President of the International Red Cross Committee). M. Paul Usteri (Member of the Council of States).

Deputy Delegate.—M. Max Huber (Legal Adviser to the Federal Political Department, Professor of International Law at the University of Zurich).

URUGUAY.—M. Juan Carlos Blanco (Envoy Extraordinary and Minister Plenipotentiary at Paris, former Minister of Public Works). M. Pedro Manini Rios (Deputy, former Minister of the Interior, Professor at the Faculty of Law).

VENEZUELA.—Dr. Diogenes Escalante (former Consul-General, former Member of the Chamber of Deputies). Dr. Santiago Key-Ayala (former Adviser of the Ministry of Foreign Affairs). Dr. C. Parra-Perez (Chargé d'Affaires in Switzerland).

STATES NOT MEMBERS OF THE LEAGUE

***ESTHONIA.**—M. Antoine Piip (Minister of Foreign Affairs). M. Charles Robert Pusta (Minister Plenipotentiary at Paris and at Rome).

GEORGIA.—M. Nicolas Tcheidze (President of the Constituent Assembly) M. Constantin Sabakhtarichvili (Under Secretary of State for Foreign Affairs). M. Khariton Chavichvili (former Councillor of the Georgian Legation at Berne).

HUNGARY.—Count Albert Apponyi (former Minister, former Speaker of the Chamber of Deputies).

***LATVIA.**—M. Voldemar Salnais (Under Secretary of State to the Ministry of Foreign Affairs). M. Michael Walters (Minister at Rome). M. Olgerd Grosvald (Minister at Paris).

***LITHUANIA.**—M. Ernest Galvanauskas. M. Thomas Naruchevitch. M. O. U. de Milosz.

Substitute Representative.—M. V. Sidzi Kauskas.

APPENDIX II.

Resolutions and Recommendations adopted by the Assembly in the course of its Second Session.

(NOTE.—The numeration and wording which follow are not necessarily those which may be ultimately adopted.)

1. APPOINTMENT OF A COMMITTEE TO CONSIDER MOTIONS SUBMITTED TO THE ASSEMBLY (13th September 1921).

The Assembly resolves that a Committee be appointed to advise the Assembly, should occasion arise, as to the inclusion in the agenda of motions submitted during the session.

2. PERMANENT COURT OF INTERNATIONAL JUSTICE (14th September 1921).

The Assembly, in accordance with Article 7 of the Statute of the Permanent Court of International Justice, and notwithstanding Article 21 of its Rules of Procedure, decides that the candidates whose names are included in the list drawn up by the Secretariat, in accordance with Article 7 of the Statute, shall be eligible for election at any ballot held by the Assembly in the course of the same sitting.

3. ARMENIA (21st September 1921).

Seeing that the First Assembly on 18th November 1920 entrusted the Council with the duty of safeguarding the future of Armenia;

And that the Council on 25th February 1921, while holding that the situation in Asia Minor made action for the time being impossible, entrusted the Secretary-General with the duty of watching developments in Armenian affairs with a view to procuring subsequent decisions by the Council;

* Admitted to full membership in the course of the session.

And that in the meantime the Supreme Council in the revision of the Treaty of Sèvres, proposed to make provision for a national home for the Armenians;

Seeing, further, the probable imminence of a Peace Treaty between Turkey and the Allied Powers at no distant date;

The Assembly urges the Council to press upon the Supreme Council of the Allies the necessity of making provisions in this Treaty for safeguarding the future of Armenia, and in particular of providing the Armenians with a national home entirely independent of Turkish rule.

4. ORGANISATION OF INTELLECTUAL WORK (21st September 1921).

The Assembly approves the draft resolution put forward by M. Léon Bourgeois in the name of the Council: namely, the nomination by the Council of a Committee to examine international questions regarding intellectual co-operation, this Committee to consist of not more than 12 members, and to contain both men and women.

5. THE CAMPAIGN AGAINST TYPHUS IN EASTERN EUROPE (21st September 1921).

The Assembly resolves that, in view of the economical and successful results achieved by the League of Nations Epidemics Commission in reinforcing the preventive sanitary measures undertaken by the Polish Health Administration in the campaign against typhus, the work of the Commission be continued and extended to other countries as necessity arises, provided the Council considers it expedient.

To this end the President of the Assembly and the President of the Council are requested to issue a special appeal to the Members of the League for liberal financial support, and to ask those States which have not found it possible to make available the contributions which they so generously promised to do so as soon as possible.

6. REPORT OF THE ADVISORY AND TECHNICAL COMMITTEE ON COMMUNICATIONS AND TRANSIT (22nd September 1921).

(1) Without prejudice to the terms of para. 4 of section 1 of the Resolution of 9th December 1920, relating to the Organisation for Communications and Transit, the general Conferences on Communications and Transit shall meet as of right at the seat of the League on the request of one-half of the Members of the League. Such request shall be addressed to the Secretary-General of the League, and the object and the agenda of the Conference shall be attached to the request. It shall be the duty of the Secretary-General of the League to convene the Conference.

(2) The Assembly, having been informed of the Report of the Advisory and Technical Committee for Communications and Transit on the action taken by the Governments with regard to the resolutions adopted by the Conference on Passports, Customs' Formalities and "Through Tickets" which was held in Paris, October 1920, observed with the keenest satisfaction that a certain number of States have already put into force part of the measures—so important for international relations, and unanimously recommended by this Conference—tending towards the simplification of formalities connected with the obtaining of passports and visas, the reduction of passport prices, and the unification of passport regulations.

The Assembly draws the attention of all States, which have not yet been able to adopt the recommendations of the Conference, to the necessity of reconsidering the question and of informing the Secretary-General of the League of Nations of the solution ultimately reached.

(3) The Assembly proposes that the Members of the League of Nations should grant to the members of the various Committees of the League, during their period of office, every possible facility in the matter of passports, particularly with regard to the regulations affecting visas and the period of their validity.

(4) The Assembly takes note of the designation by the Advisory and Technical Committee for Communications and Transit of a railway expert (national of a riparian State of the Danube), and invites the Committee to proceed also, in its next session, to the designation of one or more than one other expert, specially qualified in the different matters dealt with by this Committee and nationals of other riparian States of the Danube.

7. RULES OF PROCEDURE OF THE ASSEMBLY (23rd September 1921).

The Assembly resolves that Rule 20 of the Rules of Procedure of the Assembly, as adopted on 14th November 1920, shall be amended to read as follows:—

"The Assembly shall vote by 'Appel Nominal,' except when the Members of the League of Nations represented at the meeting agree that the method of voting shall be by heads of Delegations rising in their seats, and except in the cases provided for in Rule 21. The 'Appel Nominal' shall be taken in one of the following manners as the Assembly may decide:—

- "(a) The name of each Delegation shall be called, and one of its members shall reply, 'Yes,' 'No,' or 'Not voting.' The result of the vote shall be recorded and announced to the Assembly; or
- "(b) The Delegation, &c." (as in the second paragraph of Rule 20).

8. DEPORTATION OF WOMEN AND CHILDREN IN TURKEY AND THE NEIGHBOURING COUNTRIES (23rd September 1921).

The Assembly Resolves:—

- (1) That there shall be appointed in Constantinople a Commissioner of the League of Nations whose appointment shall be officially notified to the Allied and Associated High Commissioners, to the representatives of the other interested countries and Members of the League, to the Turkish Government and to the ecclesiastical authorities of the deported populations, namely the Greek and Armenian Patriarchs;

- (2) That the League request France, Great Britain and Italy to instruct their High Commissioners to constitute themselves as a Committee, whose duty it will be to concert action with a view to giving all possible assistance and powers to the League of Nations' Commissioner, for the carrying out of his duties ;
- (3) That there shall be established, under the Commissioner of the League, a mixed Board to deal with the reclamation of women and children. This Board shall be composed of the present Members of the League of Nations Commission of Enquiry, with power to co-opt, in particular cases, a member of each interested nationality. This Board would look to the Allied Commissioners and to the co-operation of the Greek and Armenian Patriarchs for the necessary support in the carrying out of its decisions. The Assembly emphasises the desirability of encouraging the work of charity already being carried on in the different centres by various establishments ;
- (4) That the neutral house for the temporary reception and examination of women and children reclaimed from Turkish houses shall be reorganised and placed under the direct management and supervision of the Commission of Enquiry ;
- (3) That further neutral houses may be opened in other centres as circumstances permit

9 MANDATES (23rd September 1921).

The Assembly, having considered the report (A. 105, 1921) of 19th September 1921, addressed by the Sub-Committee on Mandates to Committee No. VI. and endorsed by that Committee, resolves to approve the terms of that report (*see* Appendix III., Annex 11).

10. DISPUTE BETWEEN LITHUANIA AND POLAND (24th September 1921)

The Assembly, having heard the explanation of M. Hymans on the dispute between Poland and Lithuania, and having taken note of the resolution of the Council of the 20th September, expresses its warm appreciation of the skill and patience displayed by M. Hymans in the cause of peace, and thanks the Council for its action and assures it of the full support of the Assembly.

Appealing to their wisdom and to their common memories of the past, the Assembly calls upon the two peoples to reach an agreement, which is as necessary for them as for the peace of the world.

11. STATUS OF EASTERN GALICIA (27th September 1921).

The Assembly of the League of Nations expresses the wish that the Council of the League draw the attention of the Principal Allied and Associated Powers to the desirability of determining, at an early date, the status of Eastern Galicia.

12. ORGANISATION OF INTERNATIONAL STATISTICS (27th September 1921).

The Assembly :—

- (1) Commends to the Technical Organisations of the League the conclusions of the provisional Economic and Financial Committee for the purpose of avoiding overlapping in the enquiries undertaken by the various Sections. At the same time it invites the co-operation of the International Labour Office in the matter.
Nothing in this resolution shall prejudice any decision on the organisation of statistical work.
- (2) Decides that statistics in the scientific sense will not be undertaken by the League as long as the question of the organisation of international statistics has not been decided, and that this question is entirely deferred until the next session.
- (3) It is understood that the League of Nations will make use, wherever expedient, of the data obtainable from existing international statistical offices and organisations without affecting in any way their autonomy.
The title of the "Bulletin" published by the League should indicate that it does not contain original statistics, but consists of figures collected from other statistical sources.

13. REPORTS OF THE PROVISIONAL ECONOMIC AND FINANCIAL COMMITTEE (28th September 1921).

Whereas, the Assembly has considered :—

- (a) The section of the "Report to the Second Assembly on the work of the Council and on the measures taken to execute the decisions of the First Assembly," which deals with the work of the Provisional Economic and Financial Committee since its entry upon its functions until the session of August-September 1921 ;
- (b) The Report presented to the Council by the Provisional Economic and Financial Committee upon its work during the session held at Geneva in August-September 1921, which has been communicated to the Assembly by the Council ;
- (c) The Report dealing with "Certain Aspects of the Raw Materials Problem,"¹ presented by the Economic Section of the Provisional Economic and Financial Committee in accordance with the Council's Resolution of 27th October 1920, which has also been communicated to the Assembly by the Council ;

And has noted with satisfaction the decisions taken by the Council on 19th and 21st September 1921 :—

- (1) The Assembly notes that the constitution of a definite Economic and Financial Advisory Committee, as contemplated by the Resolution of the first Assembly dated 9th December 1920, on the economic organisation of the League, is not imperative during the forthcoming year, in view of the fact that the Provisional Economic and Financial Committee will continue its work till the next Assembly, as provided in the Council's Resolution of 19th September 1921.

¹ See Appendix III (Annex 1).

(2) The Assembly notes that it is of the greatest importance that the Provisional Economic and Financial Committee should carry out the programme of work indicated in the Reports mentioned above, including the study of the following questions: double taxation, the monetary situation, unfair competition, monopolies, distribution of raw materials, unification of legislation relating to the bills of exchange, commercial methods designed to obviate the risks arising from fluctuations of the exchanges.

(3) The Assembly notes that the Council has requested the Provisional Economic and Financial Committee to consider the report upon the meaning and scope of the provision relating to the equitable treatment of commerce contained in Article 23 (e) of the Covenant. Taking account of the wishes formulated by the Conference of Barcelona, the Assembly expresses the confident hope that the Committee will direct and pursue its work, in co-operation with the Advisory and Technical Committee on Communications and Transit, in the manner best calculated to facilitate the earliest and most general application possible of the principle in question.

(4) The Assembly notes that the Council, with the advice of the Provisional Economic and Financial Committee, will entertain any application that may be received from States which feel the need of technical advisers on financial or economic administration.

(5) The Assembly agrees that it will probably not be necessary to convoke at an early date a general Conference for the study of the principal financial and economic questions; it approves the proposal whereby the Council, if it considers it desirable, may, with the advice of the Provisional Economic and Financial Committee, convoke restricted consultative conferences for the examination of special problems.

(6) The Assembly regrets that the work of the reconstruction of the finances of Austria, in which the Provisional Economic and Financial Committee has been called upon to co-operate, has been delayed for reasons which it hopes will shortly be removed.

(7) The Assembly, having had brought to its notice the continuing gravity of the exchange crisis and its dangerous effects upon the economic position and the conditions of labour of the working classes, invites the Provisional Economic and Financial Committee to carry on urgently its enquiries from various Governments as to the measures taken to ensure the application of the Resolutions of the Brussels Conference; the Assembly further invites the Committee to investigate, in accordance with the Governments' suggestions and as speedily as may be, all practical proposals which may be made for the completest possible application of these Resolutions.

In particular, the Assembly agrees to the proposal that the work of organising the International Credits Scheme should be pursued in the manner set out in the Report submitted by the Provisional Economic and Financial Committee to the Council.

The Committee is further invited to consider, as a matter of urgency, the measures necessary for the adaptation of the system of international credits to the various situations of different countries.

(8) The Assembly commends to the consideration of the Members of the League the general conclusions of the Report on Certain Aspects of the Raw Materials Problem, including those calling attention to the effects that may be produced on the economic life of other countries by artificial restrictions and duties on the export of essential raw materials.

(9) The Assembly, recognising the intimate connection between the restoration of transport facilities and the supply and distribution of raw materials, expresses the earnest hope that every effort will be made to expedite the work of the various Commissions charged with such matters as re-allocation and interchange of rolling-stock in certain parts of Europe.

(10) The Assembly invites the Advisory and Technical Committee on Communications and Transit to consider the desirability of action being taken, under the provision which empowers the Council to call partial or regional Conferences to consider special matters, with a view to promoting the improvement of facilities for intercommunication and transport between those States whose transport systems have specially suffered from disorganisation.

14. TRAFFIC IN WOMEN AND CHILDREN (29th September 1921).

The Assembly, having taken into consideration the Final Act of the Conference of Geneva on Traffic in Women and Children, approved by the Council, expresses the wish that those of its provisions which require conventional form, be adopted in that form by the Members of the League with the least possible delay. For this purpose the Assembly recommends that the Delegates who have the necessary full powers to sign the Draft Convention annexed, should sign it without delay, and that those who do not yet possess them be invited to communicate immediately with their respective Governments in order to obtain the necessary powers to sign.

15. TRAFFIC IN OPIUM (30th September 1921).

I. The Assembly concurs in paras. 1, 2, 4 and 5 of the Resolution adopted by the Council on 28th June 1921² as follows:—

(1) That States which are Members of the League and have not signed or ratified the International Opium Convention be invited to do so as soon as possible.

(2) That the Netherlands Government be requested to continue its efforts to secure ratification of the International Opium Convention by those States which are not Members of the League.

(3) (Para. 4 of the Resolution of the Council.) That, in order to carry out the obligations under Articles 3 and 5 and under Article 13 of the International Opium Convention, the Governments which are parties to the Convention be invited to adopt the following procedure:—

“Every application for the export to an importer of a supply of any of the substances to which the Convention applies shall be accompanied by a certificate from the Government of the importing country that the import of the consignment in question is approved by that Government and is required for legitimate purposes.”

“In the case of drugs to which Chapter III. of the Convention applies, the certificate shall state specifically that they are required solely for medicinal or scientific purposes”

¹ See Appendix I.I. (Annex 10)

² See Appendix III (Annex 9).

(4) (Para. 5 of the Resolution of the Council.) That the special attention of the Contracting Powers having Treaties with China be invited to the provisions of Article 15 of the International Opium Convention, so that the most effective steps possible should be taken to prevent the contraband trade in opium and other dangerous drugs.

II. The Assembly confirms the second recommendation passed by the Advisory Committee on Traffic in Opium during its session of 2nd-5th May 1921, as follows:—

(5) That a report should be made annually to the League by each country which is a party to the Convention, on the execution in its territory of the provisions of the Convention, with statistics of production, manufacture and trade.

III. The Assembly adopts the following additional recommendations presented by its Fifth Committee:—

(6) The Assembly concurs in para. 3 of the Council's Resolution of 28th June 1921, on the understanding that the enquiries undertaken will be of a scientific character and that, when they apply specifically to any particular country, they will be made through, or with the consent of, the Government of that country.

(7) The Assembly recommends to the Council that, in para. 5 of the latter's resolution dated 28th June 1921, it should also draw the attention of the Government of China to Article 15 of the International Opium Convention.

(8) The Assembly recommends to the Council that the enquiry referred to in para. 7 of the latter's resolution dated 28th June 1921 should be extended to include all opium the consumption of which may be considered legitimate, and that to this end the word "strictly" be omitted, and the word "legitimate" be substituted for "medicinal and scientific." It further recommends to the Council the omission of the reference to prepared opium, that is to say, to opium prepared for purposes of smoking, the complete suppression of which is provided for in Chapter II. of the Convention.

(9) The Assembly recommends to the Council that the different Governments be invited, where they see no objection, to furnish to the Secretariat, in addition to the official annual report, any information concerning the illicit production, manufacture or trade in opium, or other dangerous drugs which they think likely to be useful to the League in the execution of its task.

(10) The Assembly recommends the Council to consider whether all nations specially concerned in either the growth or manufacture of opium or other dangerous drugs should not be represented on its Advisory Committee.

(11) The Assembly urges those States Members of the League¹ which have not yet signed and ratified the Opium Convention to do so as soon as possible.

(12) In order to facilitate the execution of the Convention, the Assembly urges all States Members of the League which are parties to the Convention to signify to the Secretariat as soon as possible their acceptance of the fourth recommendation of the Advisory Committee relating to the requirement of importation certificates.

(13) The Assembly recommends the Council to request the Advisory Committee to extend their investigations to include not only the drugs mentioned in the Convention of 1912, but also all dangerous drugs of whatever origin which produce similar effects, and to advise as to the desirability of convoking a further international conference of States which are parties to the Convention, as well as States Members of the League of Nations, with a view to drawing up a Convention for the suppression of the abuse of such drugs.

16. RELIEF WORK IN RUSSIA (30th September 1921).

After having heard the Report of its Committee and the statement by Dr. Nansen—to whose activity and devotion it is happy to pay tribute—and after having taken note of the generous appeal of His Holiness Pope Benedict XV., on behalf of the famine-stricken regions of Russia, the Assembly of the League of Nations adopts the following Resolutions.—

1. The Assembly considers it an urgent necessity to combat the famine in Russia; it further considers that all efforts should be encouraged which, like the Geneva Conference, aim at alleviating this scourge.

The Assembly addresses a pressing appeal to private organisations in order that the efficacy of the common endeavour may be assured by a close co-ordination of all the efforts devoted to this cause.

The Assembly further expresses a desire that the Governments of all countries may interest themselves in the efforts of their national associations and should grant them, to the greatest possible extent, such material and moral support as they may need.

2. The Assembly considers that relief work should be extended to include all the regions of former Russia which are visited by famine without forgetting the populations of the territories of the Republics of Armenia, Georgia and Azerbaidjan.

3. The Assembly has not sufficient information as to the influences by which the Soviet Government are moved or the conditions under which they are working, but it considers that Dr. Nansen's successful repatriation of prisoners of war augurs well for any enterprise he may be prepared to undertake for the relief of famine-stricken regions in Armenia, Azerbaidjan, Georgia and Russia.

4. In view of the statements made by members of the Committee on behalf of their Governments to the effect that these Governments do not think that under present circumstances they can

¹ The following Members of the League have not yet ratified the Opium Convention of 1912 nor signed the Protocol of 1914:—

Albania	Esthonia.	Paraguay.
Argentine.	Finland	Persia
Chile	Latvia.	Salvador
Colombia.	Lithuania.	Switzerland.
Costa Rica.		

The following have ratified the Convention, but not signed the Protocol of 1914.—
Denmark. Venezuela.

grant official credits, the Assembly is of opinion that this fact settles for the time being this side of the matter, and disengages the possible responsibility of the League of Nations.

Nevertheless, the League does not disinterest itself in so grave a problem and in the efforts which are being made to solve it. It will rest with the Council of the League to take up the question, should circumstances so demand, and should it consider that its intervention could prove both useful and effective.

5. The Assembly notes that an International Conference has been summoned to meet at Brussels on 6th October in order to consider the problem of the famine raging in Russia and the means of remedying it by the concerted action of Governments and private associations.

The Assembly expresses the hope that the authorised representatives of the Governments may consider the most expedient means of coping with the financial difficulties of this problem. Amongst the forms of relief which the Governments might afford, the Assembly would urge the importance of gifts in kind from the liquidation of war stocks.

6. The Assembly considers that the Committee of the League of Nations formed to combat epidemics should be invited to co-operate with the associations which have undertaken the campaign against infectious diseases in Russia and the Caucasus.

7. The President of the Assembly is requested to transmit to His Holiness Pope Benedict XV, a copy of resolutions mentioned above in the hope that he may find therein a proof of the profound appreciation with which the League of Nations received the message in which His Holiness begged to draw the attention of the representatives of the Governments assembled in Geneva to the unhappy plight of the famine-stricken areas in Russia and the urgency of alleviating and rendering them assistance.

The Assembly takes this opportunity of expressing to His Holiness its warmest gratitude for so generous an action, which manifests once again the anxiety with which His Holiness ever proceeds in the alleviation of all suffering.

17. ADMISSION OF HUNGARY TO THE LEAGUE (30th September 1921).

The Assembly of the League of Nations, having noted a letter dated 26th September 1921, sent by the Head of the Hungarian Delegation in the name of his Government, and requesting the Assembly to be good enough to postpone its decision on the request for the admission of Hungary and all procedure relative thereto, to its next session, resolves to accede to this request and to place the question of the admission of Hungary into the League on the agenda of its next session.

18. ORGANISATION OF THE PERMANENT SECRETARIAT AND OF THE INTERNATIONAL LABOUR OFFICE (1st October 1921).

The Assembly, having taken note of the Report of the Fourth Committee, approves the views there set forth and expresses its gratitude to M. Noblemaire and his colleagues of the Committee of Experts for their arduous and most useful work (see Appendix III., Annex 4).

19. REDUCTION OF ARMAMENTS (1st October 1921).

The Assembly thanks Mr. Branting, Chairman of the Third Committee, and the Rapporteur, Lord Robert Cecil, for their valuable work. It is convinced of the urgent necessity of passing beyond the stage of the enunciation of principles and of proceeding to carry them into practical effect. The Assembly, therefore, approves the report and the following resolutions submitted by the Third Committee with reference to the reduction of armaments:—

1. That it is desirable that the Temporary Mixed Commission should be asked to continue the work which it has begun.

2. That the Temporary Mixed Commission be asked to make proposals on general lines for the reduction of national armaments which, in order to secure precision, should be in the form of a draft treaty or other equally definite plan, to be presented to the Council, if possible, before the Assembly next year.

In order to enable the Temporary Mixed Commission to accomplish this task, the Council should be asked to strengthen the Temporary Mixed Commission.

3. That a statistical investigation be made with regard to the armaments of the various countries upon the lines indicated in the body of the Report of the Third Committee.

4. That the Temporary Mixed Commission be requested to continue the examination of the question of the private manufacture of armaments and the trade in arms.

5. That the Council be requested to invite all the Members of the League and interested States which are not Members of the League to take part in an International Conference on the private manufacture of arms and the trade in arms, which should meet as soon as possible at a date to be fixed under the responsibility of the Council. It is considered highly desirable that this date should be prior to the next session of the Assembly.

The Temporary Mixed Commission should be entrusted with the task of preparing the programme of the Conference, and of submitting to it a draft convention.

6. That the urgent importance of ratifying the Convention at the earliest possible moment be strongly impressed on all the States signatories to the Arms Traffic Convention of St. Germain, whether Members of the League of Nations or not, and that at the same time all non-signatory States be invited to adhere to the Convention.

The Assembly expresses its earnest desire that the importance of this subject may be strongly urged at the forthcoming Conference on Disarmament at Washington.

7. The Assembly, taking note of the view expressed in the Report of the Temporary Mixed Commission on the Reduction of Armaments with regard to the desirability of making provision for excluding the import of arms and ammunition in time of peace from countries in which the traffic is uncontrolled, invites the Council to prepare a draft protocol for this purpose for the consideration

of the various Governments. At the same time it expresses the earnest hope that this procedure will not in any way be permitted to delay the general ratification of the Convention of St. Germain.

The steps that may eventually have to be taken for the destruction of the surplus stocks of munitions may be considered by the Temporary Mixed Commission.

8. That, subject to the conditions set out in the recommendation of the First Assembly, the recommendation that Members of the League should undertake not to exceed for the next two financial years following the present year the sum total of expenditure on military, naval and air forces provided for in the budget of that year, be again forwarded to all Members of the League, together with a statement showing the replies already received to this recommendation.

9. That the Temporary Mixed Commission be asked to examine—in consultation with the Permanent Advisory Commission—whether it is advisable to address an appeal to the scientific men of the world to publish their discoveries in poison gas and similar subjects, so as to minimise the likelihood of their being used in any future war.

10. That it is desirable that propaganda in favour of the reduction of armaments, as contemplated in the Covenant, should be carried out with earnestness and conviction among all nations.

11. In pursuance of the Third Resolution of the First Assembly, the Assembly is of opinion that the Secretariat should be asked to complete the organisation of the Section of the Secretariat dealing with the question of the reduction of armaments, and that this Section should have a directorship of its own, or other equivalent official organisation, quite separate from and, if necessary, in addition to, those already proposed by the Fourth Committee of the Assembly.

20. ALBANIA (3rd October 1921).

1. The Assembly, having considered the appeal of Albania to the Assembly, dated 29th June 1921, and the reference by the Council to the Assembly of the allegation by Albania against the Serb-Croat-Slovene State, dated 2nd September 1921:

Recognising the sovereignty and independence of Albania as established by her admission to the League:

Taking note of the fact that the Serb-Croat-Slovene State and Greece have recognised the Principal Allied and Associated Powers as the appropriate body to settle the frontiers of Albania:

Understanding that the Principal Allied and Associated Powers are very near agreement on the question submitted to them:

Recommends Albania now to accept the forthcoming decision of the Principal Allied and Associated Powers.

2. The Assembly, further, taking note of the allegations of Albania against nationals of the Serb-Croat-Slovene State and of the allegations of the Serb-Croat-Slovene State against certain tribes and individuals in Albania:

Taking note also of statements made that there is serious unrest in Southern Albania and Northern Epirus:

Requests the Council forthwith to appoint a Commission of three impartial persons, to proceed immediately to Albania and to report fully on the execution of the decision of the Principal Allied and Associated Powers, as soon as it is given, and on any disturbances which may occur on or near the frontier of Albania. The Commission should have power to appoint observers or other officials being impartial persons to enable it to discharge its functions.

3. In order to provide for the carrying out of the above decision, the Secretary-General is instructed to include the sum of 100,000 gold francs in the budget of the League for the fourth fiscal period (1922), it being understood, however, that, before any of the said appropriation be expended, a detailed estimate shall be submitted to the Council of the League and shall be approved by it.

21. FINANCIAL ADMINISTRATION OF THE LEAGUE (4th October 1921).

Recommendation I

The Assembly of the League of Nations requests the Council to continue to regulate the finances of the League of Nations in the spirit of the principles contained in the Assembly Recommendation of 17th December 1920, as modified by the following Articles, and by the recommendations laid down in the Report of the Fourth Committee on the administration of the finances of the League of Nations.¹ Further, the Assembly requests the Council to prepare for the annual session of the Assembly of 1922, a final resolution regarding the administration of the finances of the League of Nations.

Article 1.—The Assembly recommends the Council to appoint a Committee of Control of three or five members, one of whom at least shall be a financial expert. The Council shall select the Committee from amongst the Members of the League of Nations, in such a way as to include Members of the League which are not represented on the Council.

Draft Budgets and other documents contemplated in Articles 1 and 2 of the Recommendation adopted on 17th December 1920 shall be submitted to the Committee of Control before being submitted to the Council. The Draft Budget of the International Labour Organisation shall be laid before the Committee of Control by four members of the Governing Body, two of whom might be selected from the delegates of Governments, one from employers' delegates and one from the workers' delegates. The Governing Body shall decide whether the Director or Deputy-Director of the International Labour Office shall be added to the Delegation.

A representative of the Governing Body shall be authorised to attend, in an advisory capacity, any meetings of the Assembly that deal with the Budget. It is, of course, understood that the representative in question cannot rise to speak except on the invitation of the President.

The Appropriation Officers, whether members of the Secretariat or of the International Labour Office, shall be responsible to the Committee of Control.

¹ See Appendix III. (Annex 8).

Article 2.—Article 6 of Recommendation II, adopted by the first Assembly on 17th December 1920, shall read as follows :—

“Expenditure can only be incurred by virtue of a warrant signed by the Secretary-General or one of his deputies duly authorised thereto. This warrant shall mention the fiscal period and the appropriation to which the expenditure is charged, and cannot be given until the official appointed for the purpose (Appropriation Officer) has certified that the proposed expenditure is represented in the Budget by a corresponding credit. Unforeseen expenditure, however, can only be incurred under Article 25 of the general budget for 1922 if it is authorised by a special Resolution of the Council, which must be immediately communicated to all the Members of the League of Nations. During the year 1922 transfers from one item to another of the same chapter can be effected by virtue of a special Resolution of the Council, which must be immediately communicated to all the Members of the League of Nations.”

Article 3.—The following sentence shall be added to Article 7 of Recommendation II, adopted by the First Assembly :—

“Additions to this fund, which may not exceed 5,000,000 gold francs, cannot be made except with the approval of the Assembly. If the fund exceeds 5,000,000 gold francs, the excess shall be carried forward to the credit of the next financial period. The International Labour Organisation may continue to obtain, if necessary, assistance from the Working Capital Fund proportionately to its budget.”

Article 4.—Insert in Article 9, of Recommendation II, adopted by the First Assembly, after the word “auditors,” “and to the Committee of Control”

Article 5.—Article 10 of Recommendation II, adopted by the First Assembly shall read as follows :—

“Three months before the annual session of the Assembly, the Committee of Control and the auditors shall present to the Council, or in the case of the International Labour Organisation, to the Governing Body, a joint report on the correctness, &c.”

Recommendation II

The resolution of the Council of 2nd September 1921, authorising the Secretary-General to request the States which are not Members of the League of Nations, but which form part of the technical organisations of the League, to pay their share of the expenses of the technical organisations in which they participate, from the beginning of the fourth financial year of the League (1922), should be incorporated in the final regulations of the financial administration of the League.

Resolution I.

In virtue of Article 12 of the Recommendation II, of the First Assembly on the administration of the finances of the League of Nations, the Assembly of the League of Nations finally passes the expenditure and income accounts for the second fiscal period, terminating on 31st December 1920.

Resolution II.

The Assembly of the League of Nations, in accordance with Article 4 of Recommendation II, adopted by the First Assembly, on the administration of the finances of the League of Nations accepts for the fiscal period 1922 the General Budget of the League and the Budget of the International Labour Office, which will be published in the *Official Journal*.

22. THE ECONOMIC WEAPON (4th October 1921).

The Assembly adopts the following resolutions :—

1. Subject to the special provisions of Article 17, the economic measures referred to in Article 16 shall be applicable only in the specific case referred to in this Article.

2. The unilateral action of the defaulting State cannot create a state of war; it merely entitles the other Members of the League to resort to acts of war or to declare themselves in a state of war with the Covenant-breaking State; but it is in accordance with the spirit of the Covenant that the League of Nations should attempt, at least at the outset, to avoid war, and to restore peace by economic pressure.

3. It is the duty of each Member of the League to decide for itself whether a breach of the Covenant has been committed. The fulfilment of their duties under Article 16 is required from Members of the League by the express terms of the Covenant, and they cannot neglect them without breach of their Treaty obligations.

4. All cases of breach of Covenant under Article 16 shall be referred to the Council as a matter of urgency at the request of any Member of the League. Further, if a breach of Covenant shall at once give notice thereof to all the Members of the Council. Upon receipt of such a request by a Member of the League, or of such a notice by the Secretary-General, the Council will meet as soon as possible. The Council shall summon representatives of the parties to the conflict and of all States which are neighbours of the defaulting State, or which normally maintain close economic relations with it, or whose co-operation would be especially valuable for the application of Article 16.

5. If the Council is of opinion that a State has been guilty of a breach of Covenant, the Minutes of the meeting at which that opinion is arrived at shall be immediately sent to all Members of the League, accompanied by a statement of reasons and by an invitation to take action accordingly. The fullest publicity shall be given to this decision.

6. For the purpose of assisting it to enforce Article 16, the Council may, if it thinks fit, be assisted by a *technical* Committee. This Committee will remain in permanent session as soon as the action decided on is taken, and may include, if desirable, representatives of the States specially affected.

7. The Council should fix the date on which the enforcement of economic pressure under Article 16 is to be begun, and should give notice of that date to all the Members of the League.

8. All States must be treated alike as regards the application of the measures of economic pressure, with the following reservations :—

- (a) It may be necessary to recommend the execution of special measures by certain States ;
- (b) If it is thought desirable to postpone, wholly or partially, in the case of certain States, the effective application of the economic sanctions laid down in Article 16, such postponement shall not be permitted except in so far as it is desirable for the success of the common plan of action, or reduces to a minimum the losses and embarrassments which may be entailed in the case of certain Members of the League by the application of the sanctions.

9. It is not possible to decide beforehand, and in detail, the various measures of an economic, commercial and financial nature to be taken in each case where economic pressure is to be applied.

When the case arises, the Council shall recommend to the Members of the League a plan for joint action.

10. The interruption of diplomatic relations shall, in the first place, be limited to the withdrawal of the heads of Missions.

11. Consular relations may possibly be maintained.

12. For the purposes of the severance of relations between persons belonging to the Covenant-breaking State and persons belonging to other States Members of the League, the test should be residence and not nationality.

13. In cases of prolonged application of economic pressure, measures of increasing stringency may be taken. The cutting off of the food supplies of the civil population of the defaulting State shall be regarded as an extremely drastic measure which shall only be applied if the other measures available are clearly inadequate.

14. Correspondence and all other methods of communication shall be subjected to special regulations.

15. Humanitarian relations shall be continued.

16. Efforts shall be made to arrive at arrangements which will ensure the co operation of States non-members of the League in the measures to be taken.

17. In special circumstances and in support of economic measures to be taken it may become advisable : (a) to establish an effective blockade of the seaboard of the Covenant-breaking State ; (b) to entrust to some Members of the League the execution of the blockade operations.

18. The Council shall urge upon all the States Members of the League that their Governments should take the necessary preparatory measures, above all of a legislative character, to enable them to enforce at short notice the necessary measures of economic pressure.

II.

The Assembly resolves that :—

1. The latter part of the first paragraph of Article 16 of the Covenant shall read as follows .—

“ . . . which hereby undertake immediately to subject it to the severance of all trade or financial relations, the prohibition of all intercourse between persons residing in their territory and persons residing in the territory of the Covenant-breaking State, and the prevention of all financial, commercial or personal intercourse between persons residing in the territory of the Covenant-breaking State and persons residing in the territory of any other State, whether a Member of the League or not.”

2. The second paragraph of Article 16 shall read as follows :—

“ It is for the Council to give an opinion whether or not a breach of the Covenant has taken place. In deliberations on this question in the Council, the votes of Members of the League alleged to have resorted to war and of Members against whom such action was directed shall not be counted.”

3. The third paragraph of Article 16 shall read as follows :—

“ The Council will notify to all Members of the League the date which it recommends for the application of the economic pressure under this Article.”

4. The fourth paragraph of Article 16 shall read as follows :—

“ Nevertheless, the Council may, in the case of particular Members, postpone the coming into force of any of these measures for a specified period where it is satisfied that such a postponement will facilitate the attainment of the object of the measures referred to in the preceding paragraph, or that it is necessary in order to minimise the loss and inconvenience which will be caused to such Members.”

III.

The resolutions and the proposals for amendments to Article 16 which have been adopted by the Assembly shall, so long as the amendments have not been put in force in the form required by the Covenant, constitute rules for guidance which the Assembly recommends, as a provisional measure, to the Council and to the Members of the League in connection with the application of Article 16.

23. CONDITIONS OF VOTING ON, AND RATIFICATION OF, AMENDMENTS TO THE COVENANT
(3rd October 1921).

1. *Recommendation.*—In order immediately to meet the objections expressed by certain Delegates with regard to the procedure permitting the Assembly to vote amendments by a majority, the Assembly recommends to the Delegations that no resolution of amendment shall be passed during this session unless it receives a three-fourths majority, in which there shall be included the votes of all the Members of the Council represented at the meeting.

2. *Procedure.*—The Assembly considers that it is most desirable that the vote on the proposed amendment to Article 26 shall be unanimous, in order that this vote may have all the authority that can be wished.

3. *Resolution of Amendment to Article 26* —Article 26 of the Covenant shall read as follows :—

“Amendments to the present Covenant, the text of which shall have been voted by the Assembly by a three-fourths majority, in which there shall be included the votes of all the Members of the Council represented at the meeting, will take effect when ratified by the Members of the League whose representatives composed the Council when the vote was taken, and by the majority of those whose representatives form the Assembly.

“If the required number of ratifications shall not have been obtained within 22 months after the vote of the Assembly, the proposed amendment shall remain without effect.

“The Secretary-General shall inform the Members of the taking effect of an amendment.

“Any Member of the League which has not at that time ratified the amendment is free to notify the Secretary-General within a year of its refusal to accept it, but in that case it shall cease to be a Member of the League.”

Form to be given to the Resolutions on Amendments.

The following conclusions of the Committee were adopted unanimously without discussion :—

The First Committee has considered the form which should be given to resolutions of amendments adopted by the Assembly.

A large number of Members expressed the opinion that such resolutions in no way formed a draft convention, the product of a diplomatic conference, to which the representatives of the States would have to attach their signatures.

It seemed to them rather the outcome of deliberation on the part of the Assembly acting as an autonomous body in virtue of the competence conferred upon it by the Covenant.

According to this view, it is the Assembly's resolution which is subject to ratification by the States and not the signatures of their representatives. Moreover, the latter may not have voted in favour of the amendment ratified by the State which they represent. It would therefore seem sufficient that every resolution of amendment be drawn up in the form of an act by the Assembly, signed by the President and the Secretary-General.

But certain members of the Committee pointed out that such a procedure would violate the constitutional law of their States and would also conflict with diplomatic usage.

The Committee considered that, to avoid any difficulty on this point, it was desirable that the amendments should take the form of protocols, embodying the resolutions of amendment voted by the Assembly, signed by the President and the Secretary-General and also open to signature by plenipotentiaries. The Committee therefore proposes the form of protocol which is appended.

Draft Protocol to an Amendment

Protocol to an Amendment to Article of the Covenant.

The Second Assembly of the League of Nations, under the Presidency of M. H. A. van Karnebeek, assisted by Sir Eric Drummond, Secretary-General, adopted at its meeting of the following resolution, being an amendment to Article of the Covenant.

[Here follows the Resolution.]

The undersigned, being duly authorised, declare that they accept, on behalf of the Members of the League which they represent, the above amendment.

The present protocol will remain open for signature by the Members of the League; it will be ratified and the ratifications will be deposited as soon as possible with the Secretariat of the League.

It will come into force in accordance with the provisions of Article 26 of the Covenant.

A certified copy of the present protocol will be transmitted by the Secretary-General to all Members of the League.

Done at Geneva, on in a single copy, of which the French and English texts are both authentic and which will be kept in the archives of the Secretariat of the League.

(Signed) President of the 2nd Assembly.
Secretary-General.

For _____

For _____

24. PROPOSED AMENDMENT OF ARTICLE 18 (5th October 1921).

The Assembly, taking note of the proposal for the amendment of Article 18 contained in the Report of the First Committee, decides to adjourn further consideration of this amendment until the Third Assembly.

25. PROPOSED AMENDMENT TO ARTICLE 1 OF THE COVENANT (5th October 1921).

The Assembly of the League of Nations, having noted the amendment to Article 1 of the Covenant proposed by the Argentine Delegation on 4th December 1920: While appreciating the high motives which inspired the Argentine Republic in proposing this amendment:

Resolves that, in view of the regrettable absence of the Delegation of the Argentine Republic, and until the principle contained in its proposal can be accepted, any decision on the amendment moved by the Argentine Republic be postponed.

26. SITUATION OF SMALL STATES (5th October 1921).

The Assembly of the League of Nations, having considered the report of its First Committee which had been requested to consider whether, and in what manner, it would be possible to attach to the League of Nations sovereign States which, by reason of their small size, could not be admitted as ordinary members:

Decides that in view of the difficulty of laying down in advance the conditions for the admission of these States, the different situations of which might necessitate different conditions; and in view of the possibility of associating immediately, to a great extent, the interested States in the work of the Assembly, without giving them membership, it is preferable to await the results of experience in this collaboration, before expressing an opinion upon the methods by which they might be admitted to the League.

27. AMENDMENTS TO ARTICLES 12 AND 15 OF THE COVENANT PROPOSED BY THE NORWEGIAN AND SWEDISH GOVERNMENTS (5th October 1921).

The Assembly of the League of Nations, having noted the amendments to Articles 12 and 15 of the Covenant proposed by the Norwegian and Swedish Governments introducing an obligation for all the Members of the League to establish permanent commissions of arbitration and conciliation, in such a manner that there would be one for each State, for the investigation of disputes between that Member and each of the other Members:

Decides:

(1) Not to adopt the amendments to Articles 12 and 15 proposed by the Norwegian and Swedish Governments

(2) To express its approval of the procedure of conciliation in conformity with the spirit of the Covenant.

(3) To invite the Council to appoint a Committee for the purpose of investigating the procedure of conciliation as outlined in the amendments put forward by the Norwegian and Swedish Governments, with a view to the formulation of a body of rules on the subject. That Committee would submit its report to the Council at a date which would enable the latter to present its conclusions at the next session of the Assembly.

28. PROPOSALS REGARDING ARTICLE 21 OF THE COVENANT (4th October 1921).

The Assembly of the League of Nations, having taken into consideration the report of its First Committee on the amendments to Article 21 of the Covenant proposed by the Governments of China and Czecho-Slovakia:

Decides that Article 21 shall be retained in its present form. And takes note of the view expressed by the Committee that agreements between Members of the League tending to define or complete the engagements contained in the Covenant for the maintenance of peace or the promotion of international co-operation, may be regarded as of a nature likely to contribute to the progress of the League in the path of practical realisations.

Such agreements may also be negotiated under the auspices of the League of Nations, for example, in special conferences, with its assistance

29. PROPOSAL REGARDING ARTICLE 10 OF THE COVENANT (4th October 1921).

Whereas a motion has been submitted by the Canadian Delegation for the striking out of Article 10 of the Covenant:

Whereas widely different opinions have been expressed with regard to the legal bearing of this Article and its relationship to the other Articles of the Covenant, especially to Articles 12 to 17:

And whereas the legal and political arguments made, both in favour of, and against, the striking out of Article 10 are of great weight:

The Assembly postpones the continuation of the examination of the proposal and the decision until its next session, and recommends that this proposal be decided before any other amendment.

30. ALLOCATION OF EXPENSES OF THE LEAGUE (5th October 1921).

I.—Resolutions of Amendments to Article 6 of the Covenant.

The Assembly resolves:—

“(1) That the last paragraph of Article 6 of the Covenant shall be replaced by the following paragraph:—

“The expenses of the League shall be borne by the Members of the League in the proportion decided by the Assembly.”

“(2) That the following paragraph shall be added to Article 6 of the Covenant as amended:—

“The allocation of the expenses of the League set out on Annex 3 shall be applied as from 1st January 1922, until a revised allocation has come into force after adoption by the Assembly.”

"(3) That the following shall be inserted in the Annex to the Covenant :—

III.—Allocation of the Expenses of the League.

State	Units Payable	State.	Units Payable	State	Units Payable	State.	Units Payable.
Albania	- 2	Costa Rica	- 2	Japan	- 65	Portugal	10
Argentine	- 35	Cuba	- 10	Latvia	- 5	Salvador	- 2
Australia	- 15	Czecho-		Liberia	- 2	Roumania	- 3
Austria	- 2	Slovakia	- 35	Lithuania	- 5	Serb-Croat-	
Belgium	- 15	Denmark	- 10	Luxemburg	- 2	Slovene	- 35
Bolivia	- 5	Estonia	- 5	Netherlands	- 15	Siam	- 10
Brazil	- 35	Finland	- 5	New Zealand	10	South Africa	15
British		France	- 90	Nicaragua	- 2	Spain	- 35
Empire	- 90	Greece	- 10	Norway	- 10	Sweden	- 15
Bulgaria	- 10	Guatemala	- 2	Panama	- 2	Switzerland	- 10
Canada	- 25	Haiti	- 5	Paraguay	- 2	Uruguay	- 10
Chile	- 15	Honduras	- 2	Peru	- 10	Venezuela	- 5
China	- 65	India	- 65	Persia	- 10		
Colombia	- 10	Italy	- 65	Poland	- 15		

II.—Recommendation 1.

"The Assembly recommends that, when a revised scheme of allocation of the expenses of the League has been adopted after consideration of the fresh recommendations of the Expert Committee, Members of the League which may, with effect from 1st January 1921, and up to the year for which the revised scheme is adopted, have paid more than they are called upon to pay under the operation of such scheme, should be entitled to a refund of the excess amount paid.

"Such refund shall be made as surplus funds accrue and without prejudice to the maintenance of the working capital account of the League at its full normal figure."

Recommendation 2.

The Assembly, recognising that the proposals of the Expert Committee (A. 40, 1921) are still susceptible of improvements and adjustments after a more exhaustive investigation of the data, recommends that this Committee, so ably presided over by M. Reveillaud, be re-appointed by the Council to continue its work and, after taking account of the various factors not yet fully examined, to submit a further report indicating such modifications of the allocation provisionally accepted as it may deem equitable.

III.—Resolution.

In order to provide for the carrying out of the above decision, the Secretary-General is instructed to include the sum of 15,000 gold francs in the Budget of the League for the fourth fiscal period (1922), it being understood, however, that, before any of the said appropriation be expended, a detailed estimate shall be submitted to the Council of the League and shall be approved by it.

IV.—Recommendation.

The Assembly recommends the Council to see that the Committee charged with preparing a final scheme for the allocation of expenses shall present this table to the Assembly of 1923.

V.—Resolution.

The Assembly resolves that the following paragraph shall be added to Article IV of the Rules of Procedure of the Assembly :—

"No proposal for a modification of the allocation of expenses for the time being in force shall be inserted in the Agenda, unless it has been communicated to members at least four months before the date fixed for the opening of the session."

31. AMENDMENT TO THE RULES OF PROCEDURE (5th October 1921).

The Assembly resolves—

That the following provision shall be added to the second paragraph of Rule 14 of the Rules of Procedure of the Assembly :—

"Resolutions involving expenditure shall not, however, be voted by the Assembly before the Financial Committee has expressed its opinion on the advisability of the proposed expenditure with regard to general budgetary resources."

32 ELECTION OF THE NON-PERMANENT MEMBERS OF THE COUNCIL (6th October 1921).

1. The Assembly takes note of the conclusions of its First Committee :—

(a) That the non-permanent Members of the Council should in future be elected according to a system of rotation for a fixed period, and that the Assembly should this year renew for the year 1922 the appointment of the present Members.

(b) That, in the absence of any decision with regard to the number of the non-permanent members of the Council, it is inexpedient to lay down precise rulings, in consideration of the fact that at the election held next year account will be taken, both as regards the determination of the entire period of office for each member, and as regards the conditions of re-eligibility, of the period already spent in office as the result of previous elections.

II.—Resolution of Amendment to Article 4.

The Assembly resolves that the following paragraph shall be inserted between the second and third paragraphs of Article 4 :—

"The Assembly shall fix by a two-thirds majority the rules dealing with the election of the non-permanent Members of the Council, and particularly such regulations as relate to their term of office and the conditions of re-eligibility."

33 COMMITTEE ON AMENDMENTS TO THE COVENANT (5th October 1921).

The Assembly, highly appreciating the work of the Committee on Amendments, which, under the able chairmanship of Mr. Balfour, has done the preparatory work for the proceedings of the First Committee, agrees that the Council can further refer to the consideration of this Committee the draft amendments which have been adjourned, also the proposed amendments which may be submitted to the next Assembly.

34. PROPOSED AMENDMENTS TO ARTICLE 3 OF THE COVENANT (4th October 1921).

The Assembly takes note that, in view of the considerations brought forward in the report of the Committee on Amendments and in the report of the First Committee of the Assembly, the Danish, Norwegian and Swedish Governments withdraw their proposed amendments to Article 3 of the Covenant.

35. PROPOSED AMENDMENTS TO ARTICLE 13 OF THE COVENANT (4th October 1921).

The Assembly, having considered the report of its First Committee on the amendments to Article 13 of the Covenant proposed by the Danish, Norwegian and Swedish Governments, decides that these amendments be not adopted.

36. ARTICLE 5 OF THE COVENANT. DEROGATIONS FROM THE PRINCIPLE OF UNANIMITY (5th October 1921).

The Assembly adopts the report of its First Committee on the amendments to Article 5 of the Covenant proposed by the Colombian and Netherlands Governments, and takes note that the Colombian and Netherlands Governments withdraw these proposed amendments.

37. HEALTH ORGANISATION (23rd September 1921).

The Assembly notes the measures taken by the Council to carry out so far as possible the Resolution of the first Assembly dated 10th December 1920, concerning the Health Organisation of the League of Nations.

In pursuance of the Covenant of the League of Nations and in order to facilitate the discharge by the League of the humanitarian duties and responsibilities which are placed upon it by the various treaties of peace and its own Resolutions, and pending the possibility of creating the Health Organisation contemplated by the Resolution of 10th December 1920, the Assembly of the League of Nations adopts in the following form the resolutions submitted to it by the Council :—

1. The Health Organisation of the League shall provisionally comprise a Health Committee which shall be entrusted with the functions detailed in the report of the Provisional Health Committee as adopted by the Council. The Secretariat of this Organisation shall be appointed by the Secretary-General of the League and be responsible to him, and shall be placed under a Medical Director.

The Assembly, in view of the urgency of the present international health situation, and, subject to consideration of a report to be submitted at the next session of the Assembly, accepts the constitution of the Provisional Health Committee proposed by the Council. But this decision is without prejudice to the power of the Assembly, admitted last year, to regulate the constitution of important Standing Committees of the League.

In view of the increasing importance of questions of health which more especially concern women, the Assembly invites the Council to take into consideration at an opportune moment the question of strengthening the Committee by including a medical woman, experienced in public health matters, qualified to advise on such questions.

2. The Epidemic Commission of the League of Nations shall form one section of the Health Organisation.

38. AMENDMENT TO ARTICLE 12 OF THE COVENANT (4th October 1921).

The Assembly resolves that Article 12 of the Covenant shall be amended to read as follows :—

“Article 12—The Members of the League agree that, if there should arise between them any dispute likely to lead to a rupture, they will submit the matter either to arbitration or *judicial settlement* or to enquiry by the Council, and they agree in no case to resort to war until three months after the award by the arbitrators or the *judicial decision*, or the report by the Council.

“In any case under this Article the award of the arbitrators or the *judicial decision* shall be made within a reasonable time, and the report of the Council shall be made within six months after the submission of the dispute.”

39. AMENDMENT TO ARTICLE 13 OF THE COVENANT (4th October 1921).

The Assembly resolves that Article 13 of the Covenant shall be amended to read as follows :—

“The Members of the League agree that, whenever any dispute shall arise between them which they recognise to be suitable for submission to arbitration or *judicial settlement*, and which cannot be satisfactorily settled by diplomacy, they will submit the whole subject-matter to arbitration or *judicial settlement*.

“Disputes as to the interpretation of a treaty, as to any question of international law, as to the existence of any fact which, if established, would constitute a breach of any international obligation, or as to the extent and nature of the reparation to be made for any such breach, are declared to be among those which are generally suitable for submission to arbitration or *judicial settlement*.

“For the consideration of any such dispute, the court to which the case is referred shall be the Permanent Court of International Justice, established in accordance with Article 14, or any tribunal agreed on by the parties to the dispute or stipulated in any convention existing between them.

“The Members of the League agree that they will carry out in full good faith any award or decision that may be rendered, and that they will not resort to war against a Member of the League

which complies therewith. In the event of any failure to carry out such an award or decision, the Council shall propose what steps should be taken to give effect thereto."

40. AMENDMENT TO ARTICLE 15 OF THE COVENANT (4th October 1921).

The Assembly resolves that the first paragraph of Article 15 of the Covenant shall be amended to read as follows :—

"If there should arise between Members of the League any dispute likely to lead to a rupture, which is not submitted to arbitration or judicial settlement in accordance with Article 13, the Members of the League agree that they will submit the matter to the Council. Any party to the dispute may effect such submission by giving notice of the existence of the dispute to the Secretary-General, who will make all necessary arrangements for a full investigation and consideration thereof."

41. GREATER PUBLICITY FOR THE PROCEEDINGS OF THE COUNCIL (16th September 1921).

The Assembly welcomes the efforts which the Council has made to secure greater publicity for its proceedings, and hopes that still further progress in that direction may be possible in the near future.

42. ESPERANTO AS AN INTERNATIONAL LANGUAGE (15th September 1921).

The Assembly, having noted a motion submitted by Lord Robert Cecil and signed by certain other delegates recommending the universal teaching of Esperanto in schools as an auxiliary international language ;

Adopts the report of the Committee appointed to examine the propositions submitted to the Assembly, the conclusions of which are as follows :—

"The Committee are of opinion that this question, in which an ever increasing number of great States are interested, should be attentively studied before it can be dealt with by the Assembly. The question was referred to a Committee last year and a short report was submitted recommending that the Secretariat of the League should investigate the experiments already made, and ascertain the actual results attained.

"The Committee proposes that the question should be placed on the Agenda of the next Assembly and that the Secretariat of the League should in the meantime prepare a complete report, accompanied by the necessary documentation on the lines indicated in the draft resolution.

"In accordance with the wishes of the signatories, the report of Committee No. 2, dated 17th December 1920, and the report of the Under Secretary-General upon his mission to the Congress at Prague, will be transmitted to the Members of the League in due course."

APPENDIX III.

Reports of Committees of the Assembly and other connected Documents.

ANNEX I.—*Report to the Council on certain aspects of the Raw Materials Problem by the Economic Section of the Provisional Economic and Financial Committee. (Communicated to the Assembly in accordance with the Council's Resolution dated the 21st September 1921.)*

By Resolution of the Council dated 27th October 1920, the Economic Section of the Economic and Financial Committee were directed to make an enquiry and report, the nature and scope of which were defined by the Resolution in the following terms :—

"The Council has fully considered the difficulties experienced by numerous countries in assuring the import of raw materials essential to their welfare and even to their existence, and has requested the Economic Section of the Economic and Financial Committee to study :—

"(a) The extent and nature of these requirements ;

"(b) The causes of these difficulties (other than those arising from lack of credit or fluctuation in the rate of exchange, which have already been considered by the Brussels Financial Conference) ; the effects of the existence of monopolies will be very specially considered.

"The Council invites the Committee to submit to it at the earliest possible moment a report on the results of its enquiry, a report which is indispensable for the further deliberations of the International Economic and Financial Conference."

The Economic Section at once endeavoured to obtain from the Governments of the various States Members of the League, and also from certain important non-Members, the necessary data to enable them to furnish a report of the nature desired by the Council. In particular we sought information as to the existing and pre-war statistical position as regards certain specified raw materials and the estimated requirements of each country with regard to each of these materials during the ensuing year. We also made specific enquiries as to the effect of monopolies in causing difficulties of supply, and also as to the legislative régime prevailing in each of the countries with respect to restrictions on export and import, and the powers, if any, possessed by the various Governments or Courts of Justice to restrain abuses arising from monopolistic action. Such replies as have been received to these enquiries have been carefully examined, and the results so obtained have been supplemented by a mass of valuable material furnished to us by the Secretariat based partly on an examination of documents the collection of which it had entrusted to experts, and partly on personal investigation carried out in certain countries. These supplementary enquiries were carried out by Professor Gini, and the Economic Section desire to express their great indebtedness to

Professor Gini and his collaborators for the very valuable assistance which they have given to them in the prosecution of their enquiry.¹

The Economic Section interpret the intention of the Council to be that their enquiry should refer primarily to the abnormal conditions prevalent at or about the time when the Council's Resolution was passed. It is obvious that a detailed economic investigation of the requirements of all countries in respect of raw materials and of the factors which might cause difficulties in the supply or demand of such materials under every conceivable condition would be a task of enormous magnitude, which would occupy much time and which could lead to no immediate practical result.

We have, therefore, in the first place endeavoured to ascertain the position at the beginning of 1921. It is, however, matter of common knowledge that since that date the whole economic situation of the world has been revolutionised. Putting aside difficulties of credit and exchange, which are expressly excluded from our reference, the outstanding factor as regards raw materials is no longer the difficulty experienced by consuming countries in securing supplies, but the difficulty experienced by producing countries in finding outlets for their products.

The deficiency of supplies, which was the dominant feature of the period when the régime of control and restrictions prevailed, was followed by a deficiency of demand at the time when that régime came to an end. The return of freedom has, in fact, contributed to the fall of prices, which, in the case of several important raw materials, have returned to the level of the prices of 1914, expressed in dollars. Moreover, congestion of markets with products manufactured at too high a cost, and the collapse of consumption owing to these excessive prices and the general financial crisis, has caused producers to reduce their output at the very time when the supply and prices of raw materials have themselves tended to return to the normal. Thus a picture based on the situation at the beginning of the present year has no longer any resemblance to the situation with which the world is at present confronted, and, indeed, the interval between the sending out of our questionnaires and the receipt of the replies has been sufficient in many cases to make the results obsolete before they have been received.

In fact, though our investigation has been conducted as expeditiously as practicable, events have moved even faster than our enquiries, with the result that much of the material collected has lost its significance except for the purpose of an historical survey.

The rapid changes in the economic situation to which we have called attention have been partly responsible for the fact that we have been unable to obtain any authoritative estimates of the immediate requirements of the various States as regards essential raw materials. At a time when production has generally slackened, and is carried on with continual variations caused by the fluctuations in the market prices of raw materials, and the irregular demand due to the continual diminution and hesitating character of consumption, most official statisticians would be unwilling to hazard a conjecture on this subject, and, in fact, no reply has been forthcoming to the questions we have asked with a view to enabling us to fulfil para (a) of our reference. Neither the enquiries conducted by the Economic Section, nor those which were entrusted to Professor Gini, have succeeded, owing to the prevailing conditions, in obtaining the data necessary to fill the blanks. On the other hand, no indication has been obtained of the existence, in any country about which we have obtained precise information, of an urgent need of raw materials which is in danger of remaining unsatisfied, at least through any deficiency of products. If, on the one hand, no State has been able to define by a figure its immediate wants, no State, on the other hand, has informed us that it has experienced any difficulties in supplying itself with any product owing to its scarcity. The statistical measurement of requirements being therefore impracticable under existing conditions, and no demand having been formulated for meeting those requirements, our task has consisted in collecting a mass of interesting statistical data, with regard to the pre-war, war, and post-war situation as regards the production, consumption, import and export of certain typical raw materials, including cotton, wool, coal, iron, mineral oil, fertilisers and cereals. But it is our duty to state clearly that no study of these data will in existing circumstances enable a reply to be furnished to para. (a) of our Reference.

Turning to para. (b) of our Reference, the first point to which we would direct attention is its limitation. We do not in any way complain of the reservation of questions of credit and exchange, which, as stated in the Council's resolution, had already been dealt with by the Brussels Financial Conference, and with which, if any second investigation were thought necessary, the Financial rather than the Economic Section of the Committee would be fitted to deal. But it is necessary to point out that, according to all the information which has reached us, any difficulties still experienced at the present time in obtaining supplies of essential materials are to a preponderant extent difficulties of credit and exchange.

In these circumstances we have considered carefully how we could best give practical assistance to the Council in attaining the objects at which it aimed when it entrusted us with the present enquiry. We conceive that these objects were practical rather than theoretic or historical, that they looked to the future rather than to the past, and that the aim was to promote the rehabilitation of countries suffering from the effects of the war rather than to institute a kind of litigation between States or to pass judgments on the motives and results of the respective policies adopted by them under stress of war and post-war conditions.

Some general acquaintance with what has taken place in the past is of course necessary for the purpose of throwing light on what may possibly recur in the future, but it has seemed to us unnecessary and inexpedient to adopt a course of enquiry which would have necessitated calling and sifting the evidence of numerous witnesses representing Governments and official and private organisations and persons, which, while unduly prolonging our enquiry and increasing its expense, could, we think, yield no fruitful result.

As a necessary consequence of this decision, we refrain in this report and in any supplementary memoranda which we may publish from expressing any but the most general opinions on the character of the war and post-war measures adopted by various countries.

¹ The portions of Professor Gini's general report which relate to the matters discussed in the present Report, together with the statistical statements on cotton, wool, coal, fertilisers, &c., prepared under Professor Gini's direction, will be published at an early date.

Broadly speaking, the difficulties which were noted last year and which led to the Council's resolution were the result on the one hand of a real scarcity, general or local, in the supplies of raw materials as well as of a breakdown, no less real, in the transport system, and on the other hand, of a number of war or post-war measures tending to reserve certain raw materials wholly or in part to the countries of production, and also to limit and regulate their exportation so that their distribution was often artificial and their prices were usually abnormal. Whether owing to a deficiency of certain raw materials or to a legitimate apprehension that such a deficiency would arise, most producing and even consuming States created an artificial system as regards the quantities reserved or available for export, and even in certain cases as regards the internal and external prices. This was the régime which characterised the situation which the Council had to meet.

The sudden interruption of this artificial system, or the continued maintenance of certain hindrances, in spite of the market having been freed as regards the bulk of products, must be included among the important factors which still prejudice the supply of raw materials.

It must, however, be observed that the branches of the problem which the Council has excluded from our consideration, viz., difficulties of credit and exchange, still remain unsolved. Difficulties of credit are at bottom symptoms and results of the devastating effects of the war in reducing the purchasing capacity and impairing the economic position of certain States. Difficulties of exchange may, however, be regarded as an independent cause of difficulty, since they spring primarily not from under-production of goods but from over-production of currency. The above brief statement of the nature of the disease appears to point to the general nature of the remedies to be considered.

(1) In the first place, it is true now as at the date when the present enquiry was launched that, although the symptoms of the disease are different, the fundamental remedy is the systematic readjustment of production to meet post-war conditions. The exaggerated demand for certain raw materials and half-manufactured products during the war created a certain disproportion between production and actual requirements. Constant and scientific observation is therefore necessary in order to adjust the production of raw materials to the future requirements of the world, when the industries artificially created during the war have been subjected to the operation of natural selection and when consumption has returned to the normal. So much has been said and written on this subject that we do not feel that we can usefully add anything new, especially as important aspects of the problem (*e.g.*, limitation of hours or output) belong rather to the sphere of the International Labour Office than of our Committee.

(2) Only second in importance to the above is the restoration and improvement of transport facilities. In order to ensure the adequate supply of each country it is clearly necessary that the materials should not only be produced in adequate quantities at a reasonable cost, but that there should be sufficient means of transporting them without unreasonable delay or cost to the markets where they are required. In this respect the situation has greatly changed since the enquiry was undertaken. Maritime transport is no longer hindered by scarcity or congestion of shipping; indeed, the position has so changed that large quantities of shipping are laid up for want of goods to carry. Simultaneously (as we understand from the Transit and Communications Section, to which the subject appertains) there has been a considerable though much slower improvement as regards transport over those parts of the European railway system which were disorganised by the war. We do not propose in this report to give a detailed description of the European transport situation, parts of which were so grievously affected not only by the material destruction of the war, but also by the difficulties of allocation and repair of rolling-stock, and by the dismemberment of railway systems formerly worked as single units owing to the territorial changes under the Peace Treaties.

We wish, however, to express an earnest hope that every effort will be made to overcome the difficulties experienced by the various Commissions charged with such matters as the re-allocation and interchange of rolling-stock. We note that special provision is made in the constitution of the Technical Organisation of the League of Nations dealing with Communications and Transit for the calling of partial or regional Conferences to consider special matters. We venture to suggest to the Council that the Advisory and Technical Committee on Communications and Transit might be authorised to consider the desirability of the League taking the initiative at an appropriate moment, under the above provision, to promote the improvement of the facilities for intercommunication and transport between States whose transport systems have specially suffered from disorganisation.

(3) We next turn to the question of commercial restrictions as a factor in creating difficulties of supply of raw materials. We refer in particular to the restrictions or duties on the export of essential raw materials which formed an important feature of war policy, and which in many cases were continued during the period immediately following the armistice. These restrictions were of a kind which varied according to the countries and circumstances. We may summarise their development as follows. In the course of the war, in order to secure for themselves priority as regards their own resources or in some cases even to ensure their just distribution in accordance with the general interest at the time, certain countries took possession of all or part of their output of one or more raw materials. The forms which this reservation took were sometimes requisition, sometimes prohibition of export. The methods of allocation were either a system of licensing or of rationing. Whatever was the method adopted, the reservation thus effected exercised an influence on the price of the product. The exportable surplus, whether it was free for export or subject to a general or individual licence, represented a supply limited in relation to the actual demand. Sometimes, also, an export duty or differential export price increased the difference between the price prevailing in the producing country and the price to the foreign consumer. Sometimes, indeed, it was the foreign purchaser on whom fell the cost of the constitution of the reserve for the producing country, and the payment of an export premium. It is conceivable that measures of reservation justified in general by the needs or by the anxiety to secure supplies adequate to the needs of the producing country may have sometimes been transformed into fiscal measures or into measures of economic discrimination.

The artificial régime thus established could not in some cases be suddenly abandoned without intermediate stages intended for the progressive re-establishment of normal conditions. Until production resumed its normal condition the disposal of stocks was assured by forward sales at

decreasing prices. But this artificial system has sometimes been as inconvenient as the sudden return to freedom.

Recent developments of raw materials policy have some lessons for the future. There is no question of challenging the incontestable right which States have to dispose freely of their natural resources, or of the output of their countries in respect of raw materials. It is legitimate that in exceptional circumstances they should be anxious to reserve them to themselves, and that they should have the power to subject them at any time to a régime in conformity with their natural economy.

But it is not less incontestable that raw materials produced by one country, being in many cases essential to the economic life of other States, should not, unless in exceptional cases, be the object of restrictions or of differential regulations of such a nature as to injure the production of such States, or to impose on them a systematic inferiority.

It is undesirable, particularly, that measures of restriction taken by producing countries to meet exceptional situations should be so prolonged or altered as to change their character, and from being acts of precaution or defence to degenerate into measures of economic aggression.

Doubtless as a general principle the tariff policy of States is one of their sovereign rights, and there are no doubt circumstances in which export duties or other restrictions may be necessary, *e.g.*, in cases where other sources of revenue are lacking, or where they are an indispensable element in the economic system. Nevertheless, it is undesirable as a matter of principle to employ measures of this kind under normal conditions as weapons of economic warfare.

This consideration is of importance since, in accordance with the law of economic interdependence, measures of differentiation produce reactions throughout the raw-materials market; measures of reservation taken by a producing country influence the demand on other producing countries where the normal conditions of supply and of prices are equally affected.

What we wish to do, without attempting to lay down any hard and fast rule, is to recommend caution in this matter, and in particular to invite the attention of the Members of the League to the broader aspects of the question as affecting international economic relations. It is not only measures of restriction or prohibition, including duties on export, which may entail grave consequences in this matter, but every artificial system which involves the risk of disorganising production, whether by its establishment or by its abolition.

(4) The effect of monopolies was particularly specified in our reference as a subject for enquiry, and accordingly in our questionnaire we specially invited the observations of each Government "with regard to the prejudice, if any, caused at the present time to the supply of the reasonable requirements of the population in respect of any essential commodity by the operation of any monopoly or combination relating to manufacture, sale, import, or export, either within or outside the country."

None of the replies received, however, included any observations in reply to this question, and the supplementary enquiries that have been made have not so far produced sufficient evidence to enable us to establish any direct connection between the operations of monopolies, and any of the difficulties of supply of raw materials which we were directed to investigate. In view, however, of the great importance of this branch of the subject, we propose to make further enquiries, particularly with the object of completing our information with regard to the legal and administrative means already available in each country for combating and controlling the action of monopolies when exercised in a manner contrary to the public interest. We hope to make a further report to the Council on this part of the subject.

(5) We have not hitherto made any mention of a scheme for the organisation of the supply of raw materials by means of an International Office, which has attracted considerable public attention, though it was not mentioned in our terms of reference, nor has any definite proposal for the purpose been submitted to us for examination. We have, however, had our attention called to the matter by a communication from the International Labour Office, enclosing a resolution adopted by the Miners' International Congress in March 1920, in favour of the establishment of an International Office "for the distribution of fuel, ores, and other raw materials essential to the renewal of the normal economic life of all nations."

While realising strongly the difficulties which the scheme is intended to solve, we are convinced that it is impracticable on the following grounds:—

(a) It would, in our opinion, be impracticable to obtain the general consent of the producing and consuming States to delegate the important functions contemplated by the scheme to an international body, and the League of Nations has no power of compelling its Members to enter into any such arrangement against their will.

(b) No scheme for the international control of the distribution of raw materials could be operated without fixing prices and allocating supplies on some principle of rationing. In our opinion, this necessarily involves the international control of the whole internal economic life of the countries concerned.

(c) No scheme of rationing is possible without the power of compelling the consuming countries to take up their rations and to pay for them, which is clearly impracticable under present conditions.

(d) There is no criterion by which an International Office could fix a reasonable ration of any raw material to be allowed to any country, except either on the basis of previous consumption (which would stereotype the existing distribution of industry) or on some arbitrary estimate of needs, which would empower the International Office to dictate the lines of future industrial development of all the States of the League.

(e) If all the above objections could be overcome the mere loss to productive industry from the inevitable inefficient operation of the bureaucratic machinery of the International Office would probably be fatal to the scheme.

(6) The next group of possible remedies, *viz.*, those designed to improve international credit and to rehabilitate exchanges, are expressly excluded from our reference, and the only point, therefore to which we venture to call attention in this connection is the possibility which has been suggested to us by Professor Gini as the result of his visit to certain countries whose finances have been disorganised by the war, that great assistance might be given by the League of Nations in the work

of reconstructing the financial and economic position of those countries, if the Council were willing on the application of the Governments of such countries to nominate competent expert advisers, who could advise the Governments on such matters as currency, exchange, and financial and economic policy generally. The Economic Section, while alive to the practical difficulties involved in such a proposal, consider that it is one which merits the careful attention of the Council.

It would be necessary, of course, to take great care in the selection of the advisers, and to come to an understanding with the Government in question as to the conditions of their engagement. It will probably be found that the extent and value of the services which an adviser will be able to render will depend mainly on his personality, but it is essential to safeguard his position and independence by a suitable contract. It has been represented to us that some countries which would be unwilling, on grounds of prestige, to apply for advisers to particular Governments, may be willing and anxious to utilise the services of an international and impartial body like the League of Nations for this purpose, and in view of the fact that the financial administration of certain States is, at the present very critical time, in the hands of relatively inexperienced officers, we venture to think that an experiment in the direction indicated may be fruitful in good results. We may add that we do not propose that the League should incur any financial or other responsibility beyond the careful selection of the nominees. Should the Council see no objection to this proposal in principle, we suggest that it should be remitted to the Financial Section of our Committee to work out a detailed scheme. If in the meantime, as is possible, any definite application should be received by the Council for the nomination of a technical adviser for any of the States in question, we recommend that it should be sympathetically considered.

ANNEX 2 :—*Report of the Third Committee to the Assembly concerning the Reduction of Armaments.*

The question of reduction of armaments was considered at the First Assembly, and it arrived at three resolutions and one recommendation on the subject. The third resolution, which was in some respects the most important, ran as follows :—

“The Committee, being convinced that the maintenance of peace demands the reduction of armaments, in accordance with the principles set forth in Article 8 of the Covenant and in the preamble of Part V. of the Treaties of Peace of Versailles, Saint-Germain, and Neuilly, which declare that the disarmament of certain Powers signatory to those Treaties be provided for ‘in order to render possible the initiation of a general limitation of the armaments of all nations’ ;

“And associating itself with the pronouncement of the Supreme Council on 8th March last that, ‘in order to diminish the economic difficulties of Europe, armies should everywhere be reduced to a peace footing, that armaments should be limited to the lowest possible figure compatible with national security, and that the League of Nations be invited to examine proposals to that end without delay’ ;

“And with the Resolution of the International Financial Conference at Brussels, ‘recommending most earnestly to the Council of the League of Nations the desirability of conferring at once, and agreeing with, the several Governments concerned, with a view to securing a general reduction of the crushing burdens which, on their existing scale, armaments still impose on the impoverished peoples of the world, sapping their resources and imperilling their recovery from the ravages of war’ ;

“Realising, on the other hand, that a complete and comprehensive scheme of disarmament depends upon the following conditions : first, under the responsibility of the Powers signatory to the Treaties of Peace, upon the complete fulfilment of the reduction of armaments imposed by the above-mentioned Treaties upon certain of these Powers : secondly, upon the exercise, as occasion may demand, of the right of investigation accorded by these Treaties to the Council of the League of Nations, in order to maintain this reduction ; and, lastly, on the collaboration of the other great military Powers which have hitherto remained outside the League :

“Invite the Council :—

“(a) To request the Permanent Advisory Commission for Military, Naval and Air Questions rapidly to complete its technical examination into the present condition of armaments ;

“(b) To instruct a temporary Commission, composed of persons possessing the requisite competence in matters of a political, social and economic nature, to prepare for submission to the Council in the near future reports and proposals for the reduction of armaments as provided for by Article 8 of the Covenant ;

“(c) To form within the Secretariat a section to serve as a centre of information for the Commission in questions which may be referred to it, and to be the channel for the publication and exchange of the information referred to in the preceding paragraph ;

“(d) To consider the desirability of reserving the Covenant can be verified in the event of the League being confirmed by an amendment to the Covenant ;

These proposals here made will be found in the Council at pages 75 to 81. It will be observed that the Permanent Advisory Commission, which was first decided it was not desirable to be dealt with in a different manner, but that a temporary Commission has been appointed. Unfortunately, owing to the fact that the Commission did not meet until the fifth meeting, which has since taken place, there is much that is valuable which the Commission has made certain

recommendations which have been examined by this Committee, and they have dealt with them under the following heads :—

I.—Statistics.

The Committee took note of the resolution adopted by the First Assembly in accordance with which the Assembly, while recognising that the *final and general limitation* of armaments is subordinate to certain preliminary conditions, expressed the wish that the first steps towards disarmament should be taken without delay.

One of the preliminary conditions is the ascertainment of the present military strength of the various States, and, consequently, it is necessary to carry out a statistical investigation which would bring into clear relief the ante-bellum and the present position of armaments. To this should be added such information of a military and budgetary nature as will allow of an accurate estimate being formed of the military power of the various States and of the measures which they may have already adopted for the reduction of their armaments. Nor must the position of each State from the point of view of its national security be overlooked.

The Committee therefore proposes :—

- (a) That a statistical investigation should be carried out with regard to the armaments of the various countries for the years 1913 and 1921. The enquiry should bring out the facts indicated in the programme drawn up by the Temporary Mixed Commission in pages 7 and 8 of its report to the Council.
- (b) That with regard to the method to be followed, a beginning should be made by gathering all possible information to be obtained from international treaties, official publications, parliamentary papers and debates, year books and other public sources of information; but that, if need be, the enquiry should be completed, as far as the Members of the League of Nations are concerned, by means of a questionnaire based upon the programme which has been approved.
- (c) That the Governments should be asked to furnish to the Secretariat of the League of Nations :—

- (1) The military, naval and air budgets for the years 1913 and 1921 ;
- (2) The general budget for all the Ministries for the years 1913 and 1921 ;
- (3) The reports and minutes of parliamentary debates relative to military, naval and air estimates in 1913 and 1921, and, in general, all legislative documents and other publications which throw light on the military policy of each State ;
- (4) The text of the laws determining the organisation of the land and sea forces.

- (d) That, as soon as possible, each of the Governments should be asked to furnish a statement of the considerations it may wish to urge in regard to the requirements of its national security, its international obligations, its geographical situation and its special circumstances.

The Governments should be especially requested to indicate separately the police and military forces which they consider indispensable for the preservation of domestic order, and the expenditure entailed thereby.

- (e) That the responsibility for carrying out these Resolutions should be left to the Secretariat, under the direction of the Temporary Commission and of the Council, and that the Secretariat should be enabled to deal as rapidly as possible with the work of summarising and co-ordinating the statistical data and the documents sent to it, and should be enabled also, in case of need, to call upon the co-operation of competent correspondents in the various countries chosen by the Armaments Section under the supervision of the Temporary Commission.

The Secretariat should be authorised to publish from time to time, with the consent of its Temporary Mixed Commission and of the Council, reports on the partial results of the investigation, without waiting till the results of the statistical enquiry have been fully co-ordinated.

- (f) That once the enquiry has been carried out for the years 1913 and 1921, the Council should be responsible for keeping it up to date for the succeeding years and for having it put into execution by competent bodies.

These resolutions in effect accept the recommendations on the points made by the Temporary Commission. In one point, however, they go further. The proposal that the Governments should make specific returns of what they require for the preservation of domestic order is based on the consideration that with these forces the League of Nations is not directly concerned. Their size and strength are primarily a domestic matter, and do not in themselves affect the international situation. The rest of the forces of each State is for the purpose of combating foreign foes, and it is this portion of the forces which it is the duty of the League of Nations to reduce. It is of great importance that the peoples of the world should be made aware how much of the money and personnel devoted to armaments is the direct consequence of international fear and suspicion, by reason of the relativity of their respective state of safety. It is only by a realisation of this truth that an effective appeal can be made to the reason and conscience of mankind in favour of a serious reduction of armaments.

II.—Private Manufacture of and Trade in Arms.

The next point in the Temporary Commission's report dealt with by the Committee was that concerning private manufacture of armaments and trade in arms.

These matters are to a certain extent dealt with together by the Temporary Commission, and they are no doubt very closely related, since it is evident that the control over the trade in arms would make a very material difference in the question of their manufacture. Still they are separate questions, and may well have to be dealt with by separate international action. The position of private manufacture of arms under the Covenant is that it is recognised to involve evil consequences

The Temporary Commission also considered the question of investigation and reciprocal control. The Committee have no observations to make on this part of the Temporary Commission's report. It will be noted that this section of the Temporary Commission's report deals with point (d) in the resolution of the First Assembly quoted at the commencement of this report. The proposal contained in the remaining point in this last-mentioned resolution, namely, point (c), has already been carried out as set out in the Report of the Council on page 75. The Committee were, however, of opinion that in view of the very considerable addition to the duties of the Secretariat which they are recommending in the matter of reduction of armaments, further provisions should be made for increasing the Armaments Section of that body.

It will be remembered that, at the First Assembly, proposals were made for condemning the use of poison gas in warfare in accordance with the report of the Council on the subject. The Assembly did not in fact take any action about this, and indeed the experience of the late war has shown how difficult it is to enforce any regulations as to the conduct of war under modern conditions. At the same time the Committee are of opinion that the employment of poison gas and similar devices in warfare is an evil of tremendous proportions. It has been stated that inventions have been made or perfected since the war, whereby wholesale destruction of the civil population would be possible by the dropping of poison bombs and the like from the air, nor is there any reason to suppose that the limits of invention in these fiendish devices have been reached. And if, as seems to the Committee to be arguable, the employment of these weapons would be rendered impracticable if there were no secrecy about them, the possibility of obtaining complete publicity for scientific researches in this domain is certainly worth exploring. Accordingly the Committee recommend that the Temporary Mixed Commission should be asked to consider whether an appeal should not be addressed to all scientific men of the world, urging them to publish to the world the results of their discoveries in such matters, so that the knowledge of them having become public property, their use as weapons of war by any single State may be rendered improbable.

Valuable and important as the proposals are which have been discussed, it is nevertheless true that they do not touch the kernel of the question. If they were all carried out, only preliminary steps would have been taken towards the limitation of armaments. By Article 8 of the Covenant it is made the duty of the Council to "formulate schemes" for the reduction of armaments. No such scheme can yet be said to have been formulated. Doubtless there is much force in the contention that armaments can only be effectively limited when a world condition of peace has been reached, and when the League has become universal. But even this contention may be pressed too far. Complete peace has scarcely ever existed in the world, and cannot be expected in the immediate future. Few observers will deny that great steps might be taken towards the limitation of armaments in many of the principal countries if it were not for the existence of international fear and suspicion, depending not on present hostilities, but on the recollection of past wars. It is true that no complete scheme of reduction of armaments can be carried out without the co-operation of the United States, Germany and Russia. In particular, the naval strength of the first-named Power makes any scheme of naval disarmament impossible without her support, and it is for that reason among others that the Committee warmly welcomes the forthcoming conference at Washington, and trusts that it may be fruitful in securing a large measure of reduction of armaments. But on the military side it must be observed that the Army of the United States has been reduced to 120,000 men. German disarmament, whether complete or not, has proceeded a very considerable distance, and the armies of Russia have neither equipment nor discipline to be a very formidable force to any well-trained European army.

There seems no reason indeed why the Council, in performance of the duty imposed upon them by the Covenant, should not lay down the general lines of a policy for the limitation of armaments. The Committee therefore think it desirable that the Temporary Commission should be specifically charged with the duty of preparing such a policy.

It is clear that if, and when, this policy came to be put into effect by the acceptance of a definite scheme of reduction of armaments by the Governments of the Members of the League, this scheme might take the form either of a general Treaty or of a series of regional treaties laying down in detailed stipulations the armed forces which each of the contracting parties undertake not to exceed. There is no need here to go into the exact form which these Treaties would take. There are already in existence Treaties limiting the armaments of various countries, and possibly these might serve as a model. That, however, is a minor point. The principal thing is that the agreements which bring about the reduction of armaments would have to embody mutual undertakings either as to the number of men to be maintained by the various countries, or as to the amount of money to be spent on the equipment, or as to both men and money. It is most important, in order to bring a concrete proposal before the attention of the peoples of the world, that the Temporary Mixed Commission should, after due consideration, draw up the general lines of some definite plan in accordance with which these agreements might be framed. It would be worth while for them to consider whether they could go so far as to propose a report in the form of a model skeleton Treaty which could be adapted to the requirements of the situation when the actual agreements came to be made. In order to carry out this task the Committee adopted the suggestion of one of the members of the Temporary Mixed Commission that it should be reinforced.

Finally, the Committee recognise that a policy of disarmament to be successful requires the support of the populations of the world. Limitation of armaments will never be imposed by Governments on peoples, but it may be imposed by peoples on Governments. The Committee are fully convinced that it is of the most urgent importance that an earnest and vigorous propaganda be carried on in all countries of the world, to bring home to their populations the urgent necessity for the reduction of armaments as provided for in Article 8 of the Covenant, and the Committee venture to suggest to the various delegates to this Assembly that they should make it their business to preach this doctrine in their own countries. For it is only by creating an instructed public opinion in each country that the necessary strength of world opinion can be obtained.

The following recommendations have therefore been adopted by the Committee:—

1. That it is desirable that the Temporary Mixed Commission should be asked to continue the work which it has begun.

2. That the Temporary Mixed Commission be asked to make proposals on general lines for the reduction of national armaments which, in order to secure precision, should be in the form of a draft treaty or other equally definite plan, to be presented to the Council if possible before the Assembly next year.

In order to enable the Temporary Mixed Commission to accomplish this task, the Council should be asked to strengthen the Temporary Mixed Commission.

3. A statistical investigation will be made with regard to the armaments of the various countries upon the lines indicated in the body of the report.

4. That the Temporary Mixed Commission be requested to continue the examination of the question of the Private Manufacture of Armaments and the Trade in Arms.

5. That the Council be requested to invite all the Members of the League and interested States which are not Members of the League to take part in an International Conference on the Private Manufacture of Arms and the Trade in Arms, which should meet as soon as possible at a date to be fixed under the responsibility of the Council. It is considered highly desirable that this date should be prior to the next session of the Assembly.

The Temporary Mixed Commission should be entrusted with the task of preparing the programme of the Conference and of submitting to it a draft convention.

6. That the urgent importance of ratifying the Convention at the earliest possible moment should be strongly impressed on all the States signatories to the Arms Traffic Convention of St. Germain, whether Members of the League of Nations or not, and at the same time all non-signatory States should be invited to adhere to the Convention.

The Assembly expresses its earnest desire that the importance of this subject may be strongly urged at the forthcoming Conference on Disarmament at Washington.

7. The Assembly, taking note of the view expressed in the Report of the Temporary Mixed Commission on Disarmament with regard to the desirability of making provision for excluding the import of arms and ammunition in time of peace from countries in which the traffic is uncontrolled, invites the Council to prepare a draft protocol for this purpose for the consideration of the various Governments. At the same time it expresses the earnest hope that this procedure will not in any way be permitted to delay the general ratification of the Convention of St. Germain. The steps that may eventually have to be taken for the destruction of the surplus stocks of munitions may be considered by the Temporary Mixed Commission.

8. That, subject to the conditions set out in the recommendation of the first Assembly, the recommendation that Members of the League should undertake not to exceed for the next two financial years following the present year the sum total of expenditure on military, naval and air forces provided for in the budget of that year, should be again forwarded to all Members of the League, together with a statement showing the replies already received to this recommendation.

9. That the Temporary Mixed Commission be asked to examine—in consultation with the Permanent Advisory Commission—whether it is advisable to address an appeal to the scientific men of the world to publish their discoveries in poison gas and similar subjects, so as to minimise the likelihood of their being used in any future war.

10. That it is desirable that propaganda in favour of the reduction of armaments, as contemplated in the Covenant, should be carried out with earnestness and conviction in all nations.

11. In pursuance of the third resolution of the First Assembly, the Committee is of opinion that the Secretariat should be asked to complete the organisation of the Section of the Secretariat dealing with the question of the reduction of armaments and that this section should have a directorship of its own, or other equivalent official organisation, quite separate from and, if necessary, in addition to, those already proposed by the Fourth Committee of the Assembly.

ANNEX 3.—*Report presented to the Assembly by Committee No. III on the Economic Weapon of the League.*

The League of Nations broached last year the question of the use of the economic weapon and of the construction to be placed upon the provisions of Article 16 of the Covenant. The First Assembly entrusted this question to the Sixth Committee, which, after a Sub-Committee had investigated the matter, submitted a report, drawn up by Lord Robert Cecil, to the Assembly. In this Report, which was adopted by the Assembly with certain slight amendments, the Sixth Committee made certain provisional suggestions with regard to the interpretation and application of Article 16, and in conclusion drafted the following resolution:—

“The Council should be asked to appoint an International Blockade Committee to consider the application of Article 16 of the Covenant. The Committee will report to the Council, which shall place the conclusions before the Assembly at its next session for their acceptance, rejection, or amendment, without prejudice to any action which may have been originally taken upon them. The Committee should not exceed eight in number, with power to summon experts to advise them, and not less than half its members should be persons representing States which have not a right to permanent membership of the Council.”

The First Assembly adopted this Resolution at its meeting on 10th December 1920. The Council therefore appointed the International Blockade Committee, which sat at Geneva from 22nd to 29th August last, and submitted its report to the Council at the end of that month.

The Council has submitted this report to the present Assembly, and the latter has referred it to the Third Committee.

The Third Committee has devoted a number of meetings to the consideration and discussion of the International Blockade Committee's Report, and now has the honour to submit to the Assembly the result of its investigations and the conclusions drawn therefrom.

The International Blockade Committee, with a view to accomplishing its task, divided its report into four headings, on the basis of the following questionnaire:—

- (1) Under what conditions should sanction, be applied?
- (2) Whose duty is it to decide that the necessity for sanctions has arisen?
- (3) At what moment, and by whom, should these measures be applied?
- (4) How should they be applied?

Your Committee has adopted the same logical system in its enquiry, and has thus been enabled to investigate in proper sequence all the principal questions relating to the employment of the economic weapon, especially the questions referred to in the report adopted by the First Assembly. The Committee has, however, slightly amended the headings of the various chapters in order to make these headings correspond more precisely to the subject dealt with in each chapter. It is important first of all that certain general considerations should be put forward.

There is no doubt that Article 16 is one of the most important and fundamental Articles contained in the Covenant. As Lord Robert Cecil pointed out in the speech which he made on this question in the First Assembly, the most powerful weapon possessed by the League of Nations is the public opinion of the world, which will force the members of the League to respect the Covenant. In the domestic affairs of States, however, it is sometimes necessary to use force in order to compel certain individuals to respect the law, and in the same way it may, in certain cases, be necessary to resort to the economic weapon in order to compel Members of the League to fulfil their obligations.

It follows, therefore, that Article 16 is one of the principal elements of the legal system embodied in the Covenant, and this system would be altogether incomplete were no provision made for the enforcement of effective sanctions against States which do not fulfil their obligations.

On the other hand, there is no doubt whatever that the application of Article 16 involves many complicated questions which it is very difficult to solve.

The starting point of the argument and of the conclusions arrived at by the Blockade Committee has been as follows:—The authors of the Covenant had considered the League of Nations as an organisation embracing all or nearly all States, and capable of prompt action in the event of breach of the Covenant. In the view of the International Blockade Committee, the application of Article 16, even had the League been universal, might have formidable consequences either for the League of Nations in general or for some of its Members. But the afore-mentioned Committee was of the opinion that as the League of Nations had not yet attained a world-wide or nearly world-wide character, a very rigid application of Article 16 would not only meet with very great obstacles, but might also place the States Members of the League in very difficult situations. That is why the International Blockade Committee has seen fit to recommend solutions which, in the present stage of the League of Nations, will, so far as possible, make allowance for the facts as they are.

Your Committee therefore considered that it must proceed cautiously and by degrees; hence the texts which it ventures to submit to you.

The International Blockade Committee came to the conclusion that certain parts of Article 16 would have to be modified, and submitted texts to this effect, considering also that if its various proposals for interpretation were favourably received, it would be expedient to submit the Article as a whole to re-consideration and re-drafting.

Your Committee has accepted this point of view and accordingly submits to you a new drafting of Article 16, embodying the amendments which it thought necessary to introduce.

For this reason your Committee has considered it advisable to leave the provisions of Article 16 as a whole intact and in their logical connection, restricting itself to proposing three amendments only to the text of the Article which appeared indispensable, as they contemplate measures for the adoption of which declarations of a purely interpretative character would not suffice.

I.—*Under what Conditions should Sanctions be applied? Effect of a Member of the League having resort to War in violation of the Covenant.*

The Blockade Committee, in the first place, expressed the opinion that, reserving the special provision in Article 17, the economic measures mentioned in Article 16 are only applicable to the specific case contemplated in that Article.

Your Committee associates itself with this point of view; the provisions of Article 16 in this respect are clear and explicit. Economic measures as a means, not only of putting an end to hostilities, but also as a means of forestalling them, or of assuring the execution of arbitral awards, may be contemplated also in other cases—to give examples, in those cases referred to in Articles 10 and 11, first paragraph, Article 17, fourth paragraph, &c. In these circumstances, however, the application of economic measures has not the character of a compulsory sanction as in the hypothesis contemplated by Article 16. What is this hypothesis?

It is laid down that, "should any Member of the League resort to war in disregard of its Covenants under Articles 12, 13 or 15." It would, therefore, be necessary to resort to compulsory application of the economic sanctions provided for by Article 16 when a Member of the League resorts to war—

- (a) without having submitted a dispute likely to lead to a rupture either to arbitration or to enquiry by the Council (Article 12, first paragraph);
- (b) without having waited three months after the award by the arbitrators or the report by the Council (Article 12, first paragraph);
- (c) against a Member of the League which complies with the award by the arbitrators (Article 13, fourth paragraph);
- (d) against a Member of the League which shall have accepted a report by the Council concurred in by all the Members, or a resolution of the Assembly adopted by a majority under the conditions contemplated by the last paragraph of Article 15.

Finally, the compulsory application of economic sanctions mentioned in Article 16 is required in the case contemplated in the first and third paragraphs of Article 17, either when a State, not a Member of the League, has resorted to war and agrees to submit to the obligations imposed upon Members for the purpose of settling a dispute, or when a State which is not a Member of the League refuses to accept these obligations.

A second point of great importance for the just interpretation of Article 16 is the declaration, contained in the first paragraph of the same Article, the State Member of the League which resorts to war contrary to the provisions of Articles 12, 13, 15, "shall, *ipso facto*, be considered as having committed an act of war against all the other Members of the League."

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With regard to this, the Blockade Committee has emphasised the difference between *act of war* and *state of war*. There is no doubt that an act of war on the part of the Covenant-breaking State gives to all the other Members of the League the right to proceed to acts of war against that State, and even to declare themselves at war with it.

But the unilateral act of the defaulting State is not, according to the views held by the Blockade Committee, sufficient to create a state of war which would, for the greater part of the Members of the League, be a mere fiction.

Your Committee concurred in this point of view. The fundamental idea inspiring the Covenant is the avoidance of war and the substitution of pacific measures for the settlement of international differences, or of less violent sanctions such as those of an economic nature. Once this fundamental idea is admitted, it scarcely seems rational to attribute to the unilateral act of a defaulting State the power of determining automatically a general state of war throughout the world; it is evidently not in the interests of the Members of the League to be obliged to consider themselves from the first moment as at war with the defaulting State, and to deduce from this state of war all the consequences admitted by international law.

It appears, on the contrary, more in keeping with the high ideals of the League of Nations to grant the Members of the League a certain latitude in applying the sanctions contained in Article 16, so that at the outset they might restrict themselves to exercising a certain economic pressure which could, if necessary, be gradually increased and intensified; but they might declare themselves definitely at war only if the defaulting State persisted in its conduct as a Covenant-breaking State.

In accordance with the foregoing considerations, the Committee asks the Assembly to adopt the following Resolutions:—

1. Subject to the special provisions of Article 17, the economic measures referred to in Article 16 shall be applicable only in the specific case referred to in this Article.

2. The unilateral action of the defaulting State cannot create a state of war: it merely entitles the other Members of the League to resort to acts of war or to declare themselves in a state of war with the Covenant-breaking State; but it is in accordance with the spirit of the Covenant that the League of Nations should attempt, at least at the outset, to avoid war, and to restore peace by economic pressure.

II.—*Whose Duty is it to decide that the necessity for Sanctions has arisen? Nature and Limitations of the Powers of the Council.*

A guiding principle for the interpretation of Article 16 was approved by the Assembly at its first meeting, in accordance with the proposals of the Committee set up last year. This principle is as follows: It is the duty of each of the Members of the League to ascertain and to decide whether a breach of the Covenant within the meaning of Article 16 has been committed.

The principle is in agreement with the spirit of the Covenant, and with the fact that Article 16 does not recognise that any organisation of the League of Nations has the power to decide, in such a way as to bind all the other Members, that a given Member is a treaty-breaking State. Such a power would not be consistent with the sovereign rights of the various States.

On the other hand, this principle certainly does not mean that the Members of the League may of their own free will withdraw from the obligations incurred in virtue of the Covenant. When cases provided for by Article 16 arise, and as soon as a Member of the League is convinced that a breach of the Covenant has occurred within the meaning of Article 16, it is bound to co-operate in the application of the sanctions provided for in this Article. This obligation is explicitly imposed by the Covenant, and must be observed by the Members of the League in accordance with the respect due to Treaties.

Nevertheless, the difficulties involved in the application of the fundamental principle which we have just stated cannot be ignored.

Differences of opinion may exist in the various countries as to the facts which would constitute a breach of the Covenant within the meaning of Article 16. As the International Blockade Committee points out, grave doubts may arise as to which country had committed the first acts of war, or whether the State which has been attacked has carried out a unanimous recommendation of the Council. Moreover, isolated attempts, aiming at the immediate application of the economic sanction, might involve the States actually making these attempts in very unfortunate consequences, without affecting the Covenant-breaking State to any appreciable degree. They may, moreover, give rise to disagreements between the States applying the economic weapon and such Members of the League as may delay in doing so.

It is therefore a question of reconciling the liberty and independence of the States in the determination of a breach of the Covenant on the one side, with the obvious necessity on the other, of arriving at an agreement between Members of the League as to the existence of a substantive breach of the Covenant within the meaning of Article 16 and of co-ordinating their action on the basis of a joint plan.

Your Committee believes that this conciliation can be found in the procedure outlined in the Resolutions, the text of which it submits to you at the end of this chapter.

Every Member of the League has the right, and it is the Secretary-General's duty immediately to inform the Council of any breach of the Covenant, or to warn it of the danger of such a breach. Thus informed, the Council, on its side, must meet with as little delay as possible, and summon, besides the States involved in the conflict, the other States most concerned which are not represented on the Council.

It is not possible to give any exact definition of what is to be understood by "the States most concerned." Nevertheless, we are in agreement on this point with the International Blockade Committee, and we have therefore endeavoured to show, in a list which is purely indicative in character, what States these might be. The majority of the Committee did not agree with the International Blockade Committee proposal to leave—temporarily and subject to the Council's decision—the choice of the States to be summoned to the President of the Council. It seemed to

the majority of the Committee that this was a duty of such importance that it could only be assigned to the Council itself; this body, moreover, meeting urgently, would certainly not fail to take steps at its first meeting for summoning the States in question. If the choice of the States to be summoned were left to the President, this procedure might give rise to serious inconveniences, especially if the President's choice should not be ratified by the Council.

It must be emphasised that the Council must not take any decision as to whether a breach of the Covenant had taken place; its duty is merely to give its opinion.

It is the great moral authority of the Council, strengthened by the presence of the States concerned, which must confer upon its opinion that convincing force which is essential for bringing the Members of the League into agreement, and for inducing them to take joint action. Faced with the Council's opinion, deeming a State to have broken the Covenant, it will be very difficult for the Members of the League to evade the fulfilment of their engagements.

In order that the Council's opinion that a breach of the Covenant has taken place may have all necessary influence on the Members of the League, it is indispensable that the minutes of the meeting at which this opinion has been formulated should be transmitted with the least possible delay to all the Members of the League, together with a statement explaining the reasons for this opinion and a request to the Members to conform thereto; the greatest publicity should be given to this act in order that it may be known to States which do not belong to the League of Nations and to public opinion throughout the whole world.

One more point remains to be elucidated with regard to the procedure to be followed by the Council in adopting the opinion in question.

We have admitted that representatives of the States in conflict and of the other States most concerned, even if they are not Members of the Council, should sit on that body whenever an opinion is to be formulated as to whether there has been a breach of the Covenant or not.

That is in accordance with the provisions of Article 4, para. 5, of the Covenant. But it would not be possible to admit also that a State accused of having violated the Covenant, whether it is or is not an ordinary Member of the Council, may by its vote prevent action on the part of the League, or that the accusing State should have a decisive influence on the opinion adopted by the Council.

The Committee has endeavoured to avoid, as far as possible, proposing amendments to Article 16, preferring to employ the method of interpretative statement. But to settle the question of procedure which is under discussion here, it is essential to amend the text of Article 16 in order to modify the general provisions laid down in Articles 4 and 5.

We have accepted the International Blockade Committee's idea not to create a permanent technical organisation to carry out Article 16, but only to provide that the Council shall, if necessary, when Article 16 is being applied, be assisted by a technical Committee, the members of which would be appointed by the Council.

The Committee proposes that the Assembly should adopt the following resolutions :—

1. It is the duty of each Member of the League to decide for itself whether a breach of the Covenant has been committed. The fulfilment of their duties under Article 16 is required from Members of the League by the express terms of the Covenant, and they cannot neglect them without breach of their Treaty obligations.

2. All cases of breach of Covenant under Article 16 should be referred to the Council as a matter of urgency at the request of any Member of the League. Further, should a breach of Covenant be committed, or should there arise a danger of such breach being committed, the Secretary-General should at once give notice thereof to all the Members of the Council. Upon receipt of such a request by a Member of the League, or of such a notice by the Secretary-General, the Council will meet as soon as possible. The Council should proceed to summon representatives of the parties to the conflict and of all States which are neighbours of the defaulting State, or which normally maintain close economic relations with it, or whose co-operation would be especially valuable for the application of Article 16.

3. If the Council is of opinion that a State has been guilty of a breach of Covenant, the minutes of the meeting at which that opinion is arrived at should be immediately sent to all Members of the League, accompanied by a statement of reasons and by an invitation to take action accordingly. The fullest publicity shall be given to this decision.

4. For the purpose of assisting it to enforce Article 16, the Council may, if it thinks fit, be assisted by a technical Committee. The composition of this Committee, which will remain in permanent session as soon as the action decided on is taken, will be subject to modification and may include, if desirable, representatives of the States specially affected. Those representatives should be selected by the Council.

The Committee proposes the following amendment to Article 16 before the last paragraph should be inserted :—

"The Council has to give an opinion as to whether a breach of the Covenant has taken place or not. When the Council gives such an opinion, the votes of the States charged with having committed a breach of the Covenant and of the State bringing the charge, no matter whether these States are Members of the Council by virtue of Article 4, para. 1, of the Covenant, or have been specially summoned, shall not be reckoned in determining whether or not there has been an unanimous decision."

III.—At what Moment and by whom should the Sanctions be applied?

The Committee agrees with the International Blockade Committee as regards the following statement: In view of the fact that it is necessary in the general interest that the economic weapon should be effective, and that for this purpose efforts must be centralised and a common plan of action adopted, the Council should fix a date on which the measures in question should be taken, and that it should give notice of this date to all the Members of the League.

It is true that in para. 1 of Article 16 the word "immediately" is used, but this word may, in the opinion of the majority of the Committee, be reconciled, according to circumstances and common sense, with the necessary and inevitable period required for the adoption and putting into practice of a common plan for the application of the economic sanctions.

The Committee also agrees with the International Blockade Committee as regards the general principle that, all States should be on the same footing in respect of the application of measures of economic pressure, and should be treated with absolute impartiality. This general principle, however, may, in practice, give rise to certain reservations on two grounds.

On the one hand, it may be necessary to assign a special mission to certain States. For example, those States which border upon or are situated near the State which has violated the Covenant may have to take special measures, the adoption of which by the other Members of the League would be unnecessary or quite useless to demand. It may also be necessary to take naval, military or air measures against the State which has committed a breach of the Covenant. In this case it is the duty of the Council under the terms of Article 16, para. 2, to recommend to the various Governments concerned the measures to be adopted. It is clear, however, that all States could not be called upon to take part in these steps in the same manner and to the same extent.

In the second place, the International Blockade Committee was of opinion that in the case of certain States complete and immediate participation in an economic blockade might, owing to the inadequate natural resources and the geographical position of these States, involve them in serious dangers, particularly if the blockaded State were economically very strong and one with which the States in question ordinarily maintain close commercial relations. The amendments to the Covenant submitted by the Scandinavian States refer to this case.

On this point the International Blockade Committee arrived at the conclusion that in practice the principle on which these amendments are based must be carried out, but that it is of the utmost importance to specify that what is aimed at is not a general system of exemptions, but only an exemption for a specific case and in particular circumstances which justify such an exemption. On this point the International Blockade Committee proposed the following amendment to Article 16 :—

“The Council may, however, at the request of a Member which can show that the facilities demanded are essential for its economic or political security, grant such exemptions as, in its opinion, will not conflict with the aims of Article 16.”

On this point there was a long discussion in your Committee. From this discussion it was ascertained that the majority of the Committee felt that it could not support the amendment proposed by the International Blockade Committee for the reason that it did not think that it could, in principle, allow any real exceptions to the obligations laid down in Article 16 to be granted. Indeed, such exceptions would be contrary to the duty of all the States Members of the League to observe the engagements which they have undertaken in virtue of the Covenant, and would also contravene the principle of justice and equality among these States.

But the majority of your Committee considered that account must to a certain extent be taken of the particular conditions and requirements of certain countries, and that situations might arise in which it would be recognised as expedient to postpone, in the case of certain States, either wholly or in part, and for fixed periods, the effective application of the economic sanctions laid down in Article 16. In this there would be no contravention of the fundamental principle that all the Members of the League are equally bound to observe the obligations of the Covenant. It will be admitted that under given circumstances the application of the economic measures may be carried out with a certain gradation, not in any particular interest, but in the general interest of the success of the economic pressure on the defaulting State.

It might happen, for instance, that, in view of the particular situation of a State, if this State were to break off all relations with the defaulting State, the latter would be induced to commit acts endangering the success of the common action of the League—for example, to take possession of certain strategic points of the first State. On the other hand, the spirit of Article 16 presupposes a common plan of action and gives to the States the right of mutual support.

The view was expressed in the Committee that this solution was contrary to the principle laid down in the first paragraph of Article 16; that is to say, that the members of the League undertake *immediately* to break off all relations with the defaulting State. But, as has already been stated in the preceding chapter in connection with the moment at which the economic pressure is to be applied, the expression “*immediately*” used in Article 16 must, in the opinion of the majority of your Committee, be interpreted as meaning that the act constituting a breach of the Covenant entails an *immediate obligation* for all Members of the League to break off their relations with the defaulting State. This, however, does not mean that, as far as time is concerned, certain States may not, by common agreement and in the general interest, be absolved from the immediate *carrying out of this obligation*. In interpreting the word “*immediately*” in the light of the existing situation and of common sense, we are therefore inclined to the view that the execution of the obligation must be effected without delay, when, having regard to the common object in view, such execution is essential.

The Committee has thought it necessary that the solution proposed to you should take the form of an amendment, the text of which it now lays before you.

The Committee proposes that the Assembly adopt the following resolutions :—

1. The Council should fix the date on which the enforcement of economic pressure, under Article 16, is to be begun, and should give notice of that date to all the Members of the League.
2. All States must be treated alike as regards the application of the measures of economic pressure, with the following reservations :—

- (a) It may be necessary to recommend the execution of special measures by certain States ;
- (b) If it is thought desirable to postpone, wholly or partially, in the case of certain States, the effective application of the economic sanctions laid down in Article 16, such postponement shall not be permitted except in so far as it is desirable for the success of the common plan of action, or reduces to a minimum the losses and embarrassments which may be entailed in the case of certain Members of the League by the application of the sanctions.

Further, the Committee proposes to the Assembly the following amendment: Insert after the first paragraph of Article 16 :—

"Nevertheless, the Council may in the case of particular Members postpone the coming into force of any of these measures for a specified period where it is satisfied that such postponement will facilitate the attainment of the object of the measures referred to in the preceding paragraph, or that it is necessary in order to minimise the loss and inconvenience which will be caused to such Members."

IV—How should the Sanctions be Applied?

The Committee supports the view of the International Blockade Committee, which has expressed the opinion that it is impossible to decide in advance and in a definite manner on all measures to be taken for the application of Article 16. It has, however, recognised that it would be well to give, at this juncture, some general indications on the way in which the sanctions of the said Article should be applied.

Article 16 stipulates, in the first paragraph, that the Members of the League of Nations undertake "immediately to sever all trade or financial relations with the defaulting State, to prohibit all intercourse between their nationals and the nationals of the Covenant-breaking State, and to prevent all financial, commercial or personal intercourse between the nationals of the Covenant-breaking State and the nationals of any other State, whether a Member of the League or not."

According to this provision, from the moment when the sanctions are applied, a situation arises which is not compatible with the maintenance of diplomatic relations. But, if a state of war is not expressly declared, it would not be impossible, in the opinion of the International Blockade Committee, to confine this action, at the outset, to the recall of the heads of Missions. This step would probably produce a profound impression, especially if taken by the various Members of the League simultaneously. At first it might, therefore, be advisable to maintain diplomatic representatives of lower rank, in the hope that the defaulting State might change its attitude.

Your Committee supports this view, and also shares the opinion of the International Blockade Committee regarding the possible maintenance of consular relations. In a similar way, if no state of war has been declared, the temporary maintenance of Consuls at their posts may serve a useful purpose in view of any change in the attitude of the Covenant-breaking State.

As regards the most essential parts of the sanctions of Article 16, that is to say, the severance of all trade and financial relations, and the prohibition of all financial, commercial or personal intercourse between the people of the blockaded State and of other States, the word "nationals" used in this Article has raised serious problems. Last year it was held in the Assembly that the word "nationals" should be interpreted as a synonym for "inhabitants" in the sense that a Member of the League shall not be obliged to prohibit, in its own territory, the intercourse of its own nationals with the nationals of the defaulting State. The prohibition of intercourse, according to this interpretation, should apply from country to country *ie.*, between States and not within States. It has been observed that any contrary interpretation might create extremely difficult situations, especially in countries the population of which comprises a large proportion of foreigners.

The International Blockade Committee has held that the word "nationals" should be understood in the sense of "residents," but that this interpretation of the word "nationals" was not an obvious one, so that it was necessary to amend Article 16 in this respect.

Your Committee shares this view, and consequently submits to you a proposed amendment to the second portion of the first paragraph of Article 16. It does not appear that the problems raised by the word "nationals" can be solved merely by an interpretation explanation and without inserting an explicit amendment in the provision in question.

The International Blockade Committee, after having laid down that the prohibition of all commercial relations with the inhabitants of the defaulting State should be strictly applied by all Members of the League, proposed to prepare and to revise from time to time a list of articles considered to be of vital importance in warfare. No exemptions could be granted concerning articles mentioned in this list, which would at the same time form a list of contraband, if it became necessary to exercise the right to search vessels at sea.

Your Committee did not consider it expedient to accept this suggestion made by the International Blockade Commission. It seemed to the Committee that it was premature to draw up a list of this kind at this time. We are here concerned with measures which cannot be anticipated, the details of which depend upon circumstances of time and place difficult to foresee accurately, and on the special situation of the State which might be subjected to economic pressure.

The International Blockade Committee justly considers that the economic pressure should be applied by measures becoming, if necessary, more and more stringent. Your Committee accepts this principle of graduation in the employment of the economic weapon and associates itself also with the conclusion that the cutting off of the food supplies of the civil population of the defaulting State should be regarded as an extremely drastic measure, to be applied only if all other available measures have been found to be clearly inadequate.

In order to assure the interruption of the relationships mentioned in the first paragraph of Article 16, it will be essential to submit correspondence and all other methods of communication to special regulations. The necessity of such a measure has been shown by experience.

Article 16 speaks of the prohibition not only of financial and commercial relations, but also of personal communications. The International Blockade Committee has felt itself called upon to interpret this expression in the sense that personal relations should only be interrupted if they have a bearing upon commercial or financial relations. Your Committee, however, has not considered that it was necessary to introduce distinctions in this respect, which would be difficult to draw, and that limitations which may be dangerous to the success of the measures of economic pressure.

As regards humanitarian relations, it is fully accepted that these should continue. Last year this question was discussed in the Assembly, and the Sixth Committee expressly declared that the prohibition of all commercial or other relations between the inhabitants of countries Members of the League of Nations and the inhabitants of the territory of the defaulting State did not include any existing humanitarian relations.

A difficult question which has been raised is that of deciding how the economic weapon is to be employed when a Covenant-breaking State has for a neighbour a State which does not belong to the

League, and, generally, what is to be the attitude to be adopted towards those States which are not Members of the League.

The International Blockade Committee did not think it necessary to give much time to the consideration of this point, as it involves questions which do not arise directly, or at any rate not exclusively from Article 16. The Committee limited itself to declaring that, as regards the States which are not Members of the League, every possible effort should be made to conclude agreements which would assure at least the passive co-operation of these States in the measures to be taken; this recommendation applies also to all the exporting States and all the States whose territory is adjacent to that of the defaulting State. The International Blockade Committee did not consider it necessary to formulate a decision on the measures which might be adopted if it should be impossible to arrive at agreements, an eventuality which the Committee did not consider probable.

Nor does your Committee believe it necessary or suitable, at the present time, to make declarations upon this point which might limit the freedom of action of Members of the League. If the occasion should arise, it will be the duty of the Council to consider the means for preventing the employment of the economic weapon being rendered useless by the action of States which do not form part of the League, and to propose suitable measures for this purpose to the Members of the League.

It has already been explained in Chapter III. that for the application of economic sanctions it may be necessary to recommend special measures for certain States. Amongst these special measures we must mention particularly that of the effective blockade which would have to be applied on the seaboard of the defaulting State. If it were decided to have recourse to such a measure, it would devolve upon the Council, in accordance with Article 16, para. 2, to recommend what naval forces should be employed, and what Members of the League should be called upon to effect the blockade.

The International Blockade Committee hesitated to declare an opinion on the application of the maritime blockade and on the exercise of the right of visiting vessels, because it felt that the effects of the new conception, which is embodied in the League of Nations upon the traditional principles of international law, required an exhaustive study. Instituted to investigate the question of the application of Article 16, the Committee, by reason of its technical nature, considered that a legal problem of such importance was scarcely within its competence. It confined itself to stating that in particular instances, where the enforcement of economic measures was necessary, it might be expedient to impose and maintain an effective blockade on the seaboard of the defaulting State, and that it might also be expedient for a certain number of Members of the League to exercise the right of belligerents in stopping and visiting vessels at sea and establishing prize courts.

It was proposed in your Committee to ask the Council to appoint a special Committee of legal, naval and commercial experts, who should be instructed to consider the rules for the application of a maritime blockade, considered as a measure supplementary to the economic sanctions provided for in Article 16 of the Covenant. But the majority of the Committee were unwilling to endorse this proposal.

As regards the executive or legislative measures which each country might have to adopt for the application of the economic sanctions of Article 16, the International Blockade Committee considered that this was a question which each country must decide for itself. It was neither incumbent upon, nor possible for, the League to lay down uniform rules for the legislative or executive procedure to be adopted by the various countries.

This opinion cannot but be unreservedly accepted, and it was precisely on account of this consideration that the Secretary-General of the League had addressed a questionnaire to the various Governments, in order to find out what were their respective laws in this matter. The replies from the Governments to this questionnaire have been published. From them it is evident that the laws of the various countries in the matter of the competence of the Governments, or of the legislative bodies, to authorise and adopt the measures provided for in Article 16, are very different. What is most important in the opinion of your Committee is that the Secretary-General of the League of Nations should again urge upon all Governments to prepare themselves to carry out without delay—should occasion arise—the obligations they have undertaken under Article 16 of the Covenant.

The Committee proposes the following resolutions for adoption by the Assembly:—

(1) It is not possible to decide beforehand, and in detail, the various measures of an economic, commercial and financial nature to be taken in each case where economic pressure is to be applied.

When the case arises, the Council shall recommend to the Members of the League a plan for joint action.

(2) The interruption of diplomatic relations should, in the first place, be limited to the withdrawal of the heads of Missions.

(3) Consular relations may possibly be maintained.

(4) For the purposes of the severance of relations between persons belonging to the Covenant-breaking State and persons belonging to other States Members of the League, the test should be residence and not nationality.

(5) In cases of prolonged application of economic pressure, measures of increasing stringency should be taken. The cutting off of the food supplies of the civil population of the defaulting State should be regarded as an extremely drastic measure which should only be applied if the other measures available are clearly inadequate.

(6) Correspondence and all other methods of communication will have to be subjected to special regulations.

(7) Humanitarian relations will be continued.

(8) Efforts should be made to arrive at arrangements which would ensure the co-operation of States non-Members of the League in the measures to be taken.

(9) In special circumstances and in support of economic measures to be taken it may become advisable (a) to establish an effective blockade of the seaboard of the Covenant-breaking State; (b) to entrust to some Members of the League the execution of the blockade operations.

(10) The Council should urge upon all the States Members of the League that their Governments should take the necessary preparatory measures, above all of a legislative character, which would enable them to enforce at short notice the necessary measures of economic pressure.

The Committee proposes an amendment to the following effect: the words "their nationals and the nationals," in the first paragraph of Article 16, shall be replaced by the words "persons residing in their territory and persons residing in the territory"; the words "persons residing breaking State and the nationals," in the same paragraph, shall be replaced by the words "persons residing in the territory of the Covenant-breaking State and persons residing in the territory."

The Committee thinks that it has conscientiously considered the Report of the International Blockade Committee and has clearly stated its opinions upon the various solutions suggested by that Committee. The Committee has not accepted all these solutions and has modified the form of some of them, but, generally speaking, it feels bound to express its appreciation of the efforts of the International Blockade Committee, which has undoubtedly made a considerable contribution to the work of interpreting the Covenant.

The Committee has endeavoured to provide the Assembly with complete information on the question, so that it may be in a position to take the decisions necessary for the practical application of Article 16 and for the employment of the economic weapon. The Committee hopes that it has in this way fulfilled the task entrusted to it by the Assembly.

Geneva, 20th September 1921.

(Signed) CARLO SCHANZER, *Rapporteur*.

APPENDIX.

The text of Article 16 of the Covenant with the modifications proposed by the majority of the Third Committee. (See para. 67 of the Report.)

ANNEX 4.—Report submitted by the Fourth Committee on the organisation of the Secretariat and the International Labour Office.

The Fourth Committee devoted nine meetings between 8th and 21st September to detailed work upon, and exhaustive study of, the report of the Commission of Enquiry. It has adopted the conclusions of this Commission of Enquiry with a few slight alterations affecting the form rather than the substance.

We examined both the organisation of the Secretariat of the League of Nations and that of the International Labour Office. In the case of these two institutions the majority of the problems are identical, or at least of a very similar nature. The remarks and recommendations of the Fourth Committee will consequently have reference both to the Secretariat and to the International Labour Office. Particular mention will, however, be made *in fine* of special points connected with the International Labour Office.

Finally, three annexes are attached in support of certain recommendations, and to develop certain questions which have called for special discussion, or to illustrate, by means of selected examples, certain points of detail.

PART I.—SECRETARIAT OF THE LEAGUE OF NATIONS.

I.—GENERAL OBSERVATIONS.

The Fourth Committee endorses in general terms the high opinion formed by the Commission of Enquiry in regard to the work of the Secretariat, and the manner in which it has understood and carried out its duties.

We have taken into consideration the individual qualities and high standard of culture shown not only by the Directors, but by the great majority of the administrative staff.

We congratulate them and thank them for their unbounded faith in the great ideals of the League, their unremitting zeal in the execution of its designs and their unshaken confidence in its ultimate success. We consider that, in order to appreciate what is actually achieved, it is fair to bear in mind the difficulties inherent in any organisation, the personnel of which is of necessity recruited on an international basis, and which was called upon to set to work and forthwith produce results. We agree that it is difficult to see how what has actually been achieved could have been more speedily or effectively carried out.

We recommend with special urgency that, in the interests of the League, as well as in its own interests, the Secretariat should not extend the sphere of its activities, that in the preparation of the work and the decisions of the various organisations of the League it should confine itself to collating and the preparation of decisions without hazarding suggestions; finally, that the relevant documents and the preparation of decisions solely responsible for them, it should confine once these decisions had been taken by the bodies solely responsible for them, it should refrain as far as possible from interpreting them.

II.—SEAT OF THE LEAGUE.

The Fourth Committee has taken note of the statement of the Commission of Enquiry with regard to the high cost of living in Geneva.

We are of opinion that, as regards the choice of the town where the seat of the League is to be established, the realisation of possible economies is only one aspect of the question. For a problem of this kind is in our opinion governed by other and far more important considerations.

We consider, however, that all the evidence necessary for arriving at a reliable estimate of the cost of living in Geneva should be collected. We propose to entrust this investigation to the Salaries Adjustment Committee, the creation of which is dealt with later.

III.—THE MEETING PLACES OF THE COUNCIL, ASSEMBLY, COMMITTEES AND CONFERENCES AND EXPENSES OF MEETINGS.

The Fourth Committee, realising that the holding of the meetings of the various organisations elsewhere than at the seat of the League occasions both considerable expenditure and a temporary

but profound disorganisation of the services of the Secretariat, recommends that the meetings of the Council shall normally be held at the seat of the League, and that, except on the rarest possible occasions, all Committees and Conferences held under the auspices of the League shall also meet there. We recognise that it is clearly desirable that the Secretariat should keep in the closest and most frequent possible touch with the principal countries, but we recommend that this contact should be established by means of individual journeys on the part of the Director of the Secretariat, and especially the Secretary-General and the Deputy Secretary-General.

IV.—INTERNATIONAL LIAISON BUREAUX.

The Committee adopts the observations and recommendations of the Commission of Enquiry as regards the organisation of international liaison bureaux in the great capitals in order to provide for the co-ordination and unification of relations of all kinds between the League of Nations and its organisations and the Government services in the principal countries. The economies in personnel, time and charges of the League which the formation of these national bureaux would make possible (the bureaux being, of course, organised by the individual initiative of the various countries and supported by their respective budgets) are both, from the material and moral points of view, so considerable that the Committee feels impelled strongly to recommend their establishment. Further, the establishment of corresponding national bureaux at the seat of the League, which appears eminently useful in the case of distant countries, must even more emphatically be left to the initiative of the nations interested.

The Committee considers that from the point of view of economy—which is our sole object—such an arrangement seems less necessary for certain less distant countries with whom liaison is both quicker and easier.

V.—OFFICE OF THE LEAGUE OF NATIONS IN SOUTH AMERICA.

The Secretariat has taken the step—which experience has shown to be justified—of establishing branch offices in Paris and London. These offices are controlled and paid for by the League of Nations, which differentiates them completely from the rational liaison bureaux referred to above.

It has contemplated the extension of similar institutions, and its attention has been drawn in the first place to the utility of establishing one in South America. The Financial Director of the Secretariat has emphasised the notable economies, as well as the very appreciable simplification of communications which would be realised by the despatch of all documents, messages, and, above all, of all cablegrams, towards one central office which would undertake their redistribution.

No doubt the economy which would certainly thus be realised would not absolutely compensate for the fresh expenditure necessitated by the creation of this office. This creation would thus, on the whole, imply fresh expenses for the League; but the consideration of the moral benefit to be reaped appeared to the Committee by far to outweigh that of the material expenditure.

Having reassured ourselves that this innovation would generally correspond to the wishes of the States interested, we formally approved the principle, leaving the details of its execution to the Secretary-General, under the authority of the Council.

VI.—POSTAGE.

The Committee considers that the postal and telegraphic expenses, rendered heavier for the majority of States by the rate of exchange of the Swiss franc, which at the present time is high, constitute an extremely heavy burden on the Budget of the League. We recommend the Secretary-General to do his utmost, with the help of the Swiss Government, to obtain the greatest possible facilities.

VII.—STAFF.

(a) Salaries.

1. The Fourth Committee has formed the general conclusion that the absolute value of salaries and wages shows a high average. It has been found impossible to do otherwise than calculate it on the basis of salaries granted to the highest paid officials in the various States Members of the League, at the risk of seeing the Secretariat and the International Labour Office deprived of the services of the aforesaid officials, which would have been out of the question. Having formed this conclusion, the Committee considers that, in accordance with the opinion of the Commission of Enquiry, this average scale of salaries and wages is justified as compared with those obtainable elsewhere.

The Committee attaches to its Report (see Annex 1) a schedule of salaries which it considers reasonable for the various grades of the staff. This schedule contains, at least in the case of the higher officials (from Directors down to Members of Sections) figures slightly inferior in a descending scale to those given in the Report of the Commission of Enquiry. These latter figures (themselves were already such as to make it possible to recruit members of the staff at somewhat lower figures than those which have been paid hitherto, and which must continue to be paid until the expiration of current contracts.

We consider that the figures proposed in Annex 1 are perfectly reasonable and will allow the retention of the services of the nationals of all States Members of the League. Moreover, they constitute their own justification as against criticisms which public opinion—when better informed—will, it is to be hoped, no longer direct against them. Further, the emoluments at the present moment granted to the Secretary-General and his assistants may in the future and at the expiration of existing contracts be subjected to reasonable reductions proportionate to those which enabled us to arrive at the figures of Annex 1.

2. *A Salaries Adjustment Committee.*—The Fourth Committee adopts the proposal of the Commission of Enquiry to create a Salaries Adjustment Committee with the object of modifying from time to time the salaries of employees in accordance with the periodic variation of the cost of living. We approve the methods proposed to this end by the Commission of Enquiry for the constitution and duties of this Salaries Adjustment Committee. We consider that any recommendations made by this Committee must be submitted in the case of the Secretariat to approval of the Council of the League, and in the case of the International Labour Office to the Governing Body, for their approval before they are put into effect. It is a matter of course that the aforesaid Committee must keep strictly within the limits the budget regularly voted by the Assembly.

3 *Choice between payment in Swiss francs or in Gold francs*—The Committee has adopted the conclusions contained in the Report of the Commission of Enquiry suggesting the adoption of the Swiss franc, and it recalls the fact that the salaries figuring in the schedule of Annex I have been calculated in this currency.

4. *Expatriation*.—The Fourth Committee appreciated the fact that in the scale of salaries proposed by the Commission of Enquiry the factor of expatriation had not been overlooked, and we consider reasonable that the Commission should have taken it into account.

5. *Income Tax*.—The Fourth Committee, taking into consideration the unfavourable situation of certain officials of the League who are nationals of the States whose fiscal laws impose a tax on incomes and in particular on salaries and earned income, approves and adopts the suggestion made by the Commission of Enquiry that the Governments concerned should be approached with a view to inducing them to exempt all officials of the League of Nations, in respect, of course, only of their salaries from the League, from income tax of any kind upon those salaries.

6. *Travelling Expenses, Subsistence and Entertainment Allowances*.—The Committee recommends that, as far as travelling expenses and subsistence allowances are concerned, travelling expenses should henceforward be paid exactly as incurred; that subsistence allowances should be calculated to cover not the total expenses of an official during his absence, but only the excess of exceptional expenditure that he incurs abroad as compared with his daily expenditure at home; finally, that these subsistence allowances should in no case be intended to meet any portion of out-of-pocket expenses which may be incurred in entertainment. As regards allowances payable to outside persons who may be called upon to take part temporarily in the work of Committees or Conferences, the Committee decides to fix the normal scale of their allowances at 70 gold francs per diem. If, however, the League has in exceptional cases need of the special services of a particularly distinguished personage, the Council must have full liberty to take appropriate measures in such cases as an exception to the general rule.

The Fourth Committee recommends the establishment of the entertainment fund proposed by the Commission of Enquiry. We consider that there is reason to establish this kind of "pool," which will be administered by one of the officials of the Secretariat specially appointed to ascertain the obligations incumbent, according to the particular case, either upon the officials of the Secretariat or the external members of the various Organisations of the League, and that this official should propose the allocation to the person concerned of such sums as may be considered suitable and charge them to the entertainment fund. The amount of this "pool" should not at the present moment exceed the total of the sums which certain high officials of the League have voluntarily rendered. In this connection the Committee desires to express its gratitude to these officials for the grace and generosity of their action. It is a matter of course that any officials who may be appointed in the future will draw only the entertainment allowances recommended by the Commission of Enquiry.

The Committee recommends that all Members of the League of Nations should refer to the official especially appointed to administer the entertainment fund, requesting him to take all necessary steps for the accommodation of their representatives and officials, both for meetings of the Assembly and for those of the Committees, &c., in the city where the League has its headquarters; these representatives would be requested to give notice beforehand of their wishes and the approximate prices they would be willing to pay.

(b) *Conditions of Service.*

In accordance with the proposals of the Commission of Enquiry, the Fourth Committee considers it extremely important that definite terms of engagement should be established for the staff without delay and on the model of all great administrations—fixed conditions indicating its rights in concrete form and giving explicit information as to its obligations. Such terms would safeguard the staff from the very natural feeling of insecurity which tends to diminish efficiency by destroying confidence in the future, and to dampen goodwill and devotion to duty. The Fourth Committee urges that this reform should be promptly effected. We fully realise the difficulties involved in the drawing up of detailed regulations and conditions of service which have to apply to staff of such varied nationalities and occupations. We must therefore confine ourselves to stating certain principles and to drawing attention to certain recommendations which we consider essential. Beyond that, we consider that the task of working out details should be left to the responsible officials on the condition that they take prompt action.

1. *Selection of the Staff*.—As a result of the exceptional circumstances which governed the creation of the League of Nations, the staff was at first appointed almost exclusively by individual selection by the Secretary-General or by his principal officers acting in his name, in virtue of powers expressly conferred upon him by the Covenant. We have already testified our high appreciation of the quality of the present staff.

This system of recruitment, however, which was the only possible one in the initial period, must be replaced, as a general rule only to be departed from in very special cases where the necessity for such departure can be established, by that of "competitive selection." The Committee recommends that this selection should be carried out in accordance with the principles and according to the method laid down in Articles 42 to 51 of the Commission of Enquiry's Report.

The Committee lays special stress upon the great desirability, especially in regard to the higher administrative posts, of recruiting the staff of both the Secretariat and the International Labour Office as far as possible in equitable proportion from the various States Members of the League. It recommends that this principle should be carefully observed whenever fresh appointments may have to be made in the future, always bearing in mind, however, the necessity of obtaining competent officials.

2. *Promotion*.—The Fourth Committee recognises that the system of grading into classes and promotion within classes, and from one class to another, is bound to make for efficiency in the staff. The staff of the Secretariat should have reasonable prospects of promotion.

In this respect the Committee adopts in their entirety the views and suggestions contained in para. 43 of the Commission of Enquiry's Report.

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3. *Engagement.*—(a) The Committee realises the difficulty of applying the principle of a definite period of engagement in the case of the Secretariat of the League of Nations, in spite of the fact that normally it is strictly necessary in organisations of this nature. Such an application of the principle would, no doubt commend itself to the existing staff, directing or subordinate, but it must not be forgotten that the very nature of the duties incumbent upon the Secretariat—its international character and its universality—prevent it from giving all its officials, without exception, a guarantee of permanent employment.

The Committee, however, is well aware that a guarantee of this kind is one of the surest factors making for the efficiency of any administrative staff, and that a tolerable measure of security is indispensable for the satisfactory accomplishment of the daily task. For this reason, we desire to put an end to the present feeling of uncertainty on the part of the officials of the League of Nations, and we have, therefore, carefully considered to what extent we could suggest that the normal system of long-term engagements should in future be applied.

(b) At present each official has entered into an individual contract with the Secretary-General. The contracts are of varying durations, and are in all cases limited to a maximum of five years. They may, of course, be cancelled for misconduct or inefficiency. They do not include any provisions against sickness or accidents, and do not carry pension or gratuity on retirement.

The Committee considers that it is desirable to class the officials and employees of the Secretariat in three categories, each of which require separate consideration:—

(c) 1. To the *higher official* it does not, in our view, seem possible to give long-term engagements. The international character of the League of Nations, and the legitimate desires of the Member States, render it essential that systematic changes should take place in the higher posts of the Secretariat in order to enable them to be filled by persons of any country whatsoever, who are of recognised importance and widespread influence among their own people, and whose views and sentiments are representative of their national opinion. This principle of frequent changes is essential to make the League a living force among the nations.

On the other hand, there could be no question of depriving the Secretariat of its leaders, just when the experience which they have gained by the study and solution of the various problems with which they may have to deal would be of most value. It is therefore clearly advisable that Members of the higher staff should serve for a sufficiently long period to enable their work to bear fruit, and that they should not be replaced simultaneously.

When this temporary difficulty has been duly met, a maximum period of seven years for members of the higher staff (Secretary-General, Deputy Secretary, Under Secretary-General and Directors) appears to be the correct solution.

In view of the considerable emolument assigned for these higher officers, we do not, in their case, recommend pension or gratuity on retirement.

In exceptional cases these officials may be reappointed.

(d) 2. *Subordinate Staff.*—At the opposite end of the scale is the subordinate staff, which may be divided into two classes. First, those who are engaged in the purely manual duties of any administration (attendants, messengers, charwomen, &c.). It appears reasonable that these persons should be recruited on the spot, which is the cheaper plan. They might be engaged for a definite period and in accordance with special local custom. In our view the second class should include duplicating, stenographic staff, &c. This part of the staff should be recruited on the spot, and should also be engaged in accordance with the normal conditions of Swiss administrative services, but provision should be made for promotion to the class above by means of competitive examination.

(e) 3. *Intermediate administrative personnel.*—Under this heading we class personnel whose work entails, in varying degree, intellectual attainments and a knowledge of languages.

Subordinate Staff (Class C).—We have placed in a class by itself (C) shorthand-typists, the subordinate staff of the Publications Department, of the Library and the majority of the staff of the Registry, &c. The specialised work of this personnel and its comparatively limited range do not lend themselves to the application of the rule of frequent changes. Its permanency should be secured under the best conditions possible, nor is there anything to prevent the rigorous application to this class of the three principles stated above, *i.e.*, appointment by competitive examination of a widely international character, annual increments, and long term of engagement. These engagements might be made for 28 years (four periods of seven years) in cases of exceptional ability, with the possibility of advancement to the next grade (B) in cases of exceptional ability, or of appointment in the course of the 28 years, to staff posts (*i.e.*, heads of administrative departments and their deputies).

This personnel, which would thus be assured of a real career with the League of Nations, should be given the benefit of definite conditions of service, which would include a limited pension scheme and provision for sickness or other disability.

(f) *Members of Section and Officers of Equivalent Grades (Classes B and A).*—These officers perform important duties. Under the direction of the higher staff they carry out all the intellectual and administrative work of the Secretariat. These require high educational qualifications and in the upper ranges demand very considerable capacity and qualities of initiative and resource.

We are of the opinion that the principle of frequent changes should only be applied to members of this grade of the staff—whose duties are of a diplomatic and political nature similar to those of the higher personnel—in cases where permanent officials can be detached from their national administrations for a definite period of service with the League without losing their rights of pension or promotion, or being troubled by doubts, so harmful to good work, as to their careers in their own countries. We recommend that steps should be taken to secure the loan of the services of such officials wherever possible.

(g) The Committee realises, however, that the employment of national officials cannot become the general rule. Moreover, there are certain posts which could not easily be filled by the permanent officials of the National Governments (*e.g.*, Information Section, Technical Experts, Interpreters, &c.), or which would invariably fall to such countries as possess highly organised civil services, a result which would be contrary to the spirit of the League.

There is the further consideration that, if the staff were drawn very largely from national ministrations, it might suffer from a tendency on the part of the officials in question to be thinking in terms of the prospects of advancement in their own countries, and so being tempted to support in various cases a specifically national, rather than the strictly international, point of view which characterises the League.

(h) For these reasons the Committee has finally adopted a general solution in respect of all members of the staff belonging to this category, namely, long terms of engagement and no system of rotation.

Individual and specialised experience gained on the spot cannot but be of great value to the League.

(i) The Committee therefore recommends that, as a general rule, arrangements should be made for 21 years, fixing 55 as the age limit and dividing this 21 years into three periods of seven years with the bilateral right to terminate the engagement at the end of each of these periods.

N.B.—Consequently, any persons entering the service of the League when over 34 years of age should only be employed up to the age of 55, and any person entering at a lower age will be able to remain 21 years.

Present members of the Secretariat over 45 years of age who may be judged indispensable may be kept up to the age of 60 years.

(j) These provisions will afford sufficient security to members of the staff to enable them to devote themselves to their work without any anxiety as to their future, for only the hope of a finite career will attract them to the service of the League.

At the same time, the vacancies caused by retirement on completion of service, and by the resignations, which may be expected to be fairly frequent in a staff the members of which may at any time desire to return to their own country, should secure sufficient changes of personnel within the different sections of the Secretariat and satisfy the legitimate and natural desires of the various States to have ample opportunities for sending a fair share of their nationals to the Secretariat.

(k) These are, then, the main lines on which the Committee recommends that the conditions of service of the staff should be drawn up. We understand that the Secretary-General wishes to prepare the conditions of service as soon as possible. We agree that this is most desirable, and we think that the members of the different grades might be asked to submit suggestions for consideration. Without prejudice to the indispensable principle of authority, it is essential that the conditions of service should be drawn up only after a thorough enquiry among the interested parties and that they should be in conformity with the wishes of the Secretariat as a whole.

(l) We consider that, when the conditions of service have been drawn up, the existing members of the staff should be asked to waive their present contracts in so far as they relate to conditions of service and to re-enter under the conditions of the new scheme. It is not, of course, intended to reduce the salary already authorised for any particular officer, unless with his own express consent in cases where a lower scale is laid down for future occupants of the post. It would, however, be well to recall here the generosity of the heads of departments who have spontaneously consented to considerable reductions in their emoluments.

Details of the salaries proposed for the various grades of posts are given in Appendix I. The details there suggested are based on the assumption that the officials concerned will be called upon to make at least some contribution towards pension in the form of deferred pay.

The Committee has adopted the principle of a pension and deferred pay scheme and has decided that the League should contribute to the fund in a proportion to be determined later. It has further entrusted the Salaries Adjustment Committee to prepare a detailed plan in this connection. This Committee will also examine the question whether it should take into account a proposal made suggesting that the fund should be administered by the persons concerned.

The Committee on Salaries will have to submit a report on this subject, which will then be submitted to the next Assembly, after having been communicated to the Members of the League three months before the meeting of the Assembly.

Pending final decision the Committee expresses the hope that the League of Nations will graciously and generously consider any request which may be made to it either as regards pensions, advances or assistance.

VIII.—FINANCIAL CONTROL.

(a) The Committee considers itself bound by its terms of reference to pay particular attention to the system of control of expenditure which has been established in the Secretariat of the League of Nations. The measures to be taken in this connection fall into five divisions:—(1) Preparation of the budget and a Commission of Control, (2) Audit, (3) Financial year, (4) Form of the budget, (5) Disposal of balances.

1. *Preparation of the Budget and a Commission of Control.*—(b) In matters of finance the position of the Secretary-General of the League is at the present moment one of some difficulty. The peculiarities of his situation will best be illustrated by recalling the normal financial procedure in a Government Department. The responsible Minister at the head of a spending department has to submit his estimates for amounts of money which he considers he will require to enable him to carry out his policy during the next financial year to the Finance Minister, who conducts the most careful scrutiny into the demands made upon the national exchequer, and only passes such demands on when he is prepared to defend in Parliament. In some countries the estimates, in addition, undergo a separate examination by a budget Committee before they are submitted to Parliament.

Whatever the precise method employed, the principle is the same, namely, that proposals for expenditure shall, before submission to Parliament, first be submitted to a careful scrutiny by a body capable of giving expert advice, and entirely independent of the body which framed the policy involving the expenditure in question.

(c) In the opinion of the Commission, it cannot, therefore, be considered the most desirable procedure that the Secretary-General should submit his proposals for expenditure to the Council and the Assembly before they have been examined in detail by some such body as that indicated above, which is capable of subjecting them to expert and impartial criticism. It is a serious defect of the system as we find it that the Assembly should be without the benefit of such expert advice, and it is equally embarrassing to the Secretary-General that he should be without the opportunity of justifying his proposals in a more ample manner than is possible under the present system.

(d) We therefore recommend the creation of a Commission of Control consisting of three to five members, one of whom at least should be a special financial expert chosen by the Council at the request of the Assembly from among the various States Members of the League.

It seems desirable that the Members of the League other than those represented on the Council should be represented in this Commission.

The Commission should meet at the seat of the League once a year for the purpose of investigating in detail the budget of the League of Nations for the ensuing financial year. The date of the meeting should be so fixed as to give sufficient time for its report to be circulated to the States Members of the League, at the same time as the budget proposals, to which it would serve as a commentary. The Members of the League would thus be able to study the budget proposals in the light of the expert opinion of the Commission which had studied them on the spot, and would be in a position to instruct accordingly their representatives at the next meeting of the Assembly.

2. *Audit.*—(e) The arrangements proposed above seem to us to satisfy the broad principles which we have enunciated as to the examination of proposed expenditure, but there is another matter of almost equal importance in any financial system.

It is necessary that the Assembly which had voted a budget for certain definite purposes should be in a position to satisfy itself that the money had been applied to those purposes. To attain this end, it is necessary that there should be close co-operation between the Assembly and the persons appointed to carry out the audit. In default of such co-operation, the audit tends to become a formal matter directed to ascertaining whether expenditure is supported by vouchers, rather than to enquiring whether any particular item of expenditure has been duly authorised, and whether the intentions of the Assembly have been properly interpreted.

(f) We therefore recommend that the Commission of Control should, at each session, examine the completed accounts of the League for the past financial year as verified by the Auditors provided for in Articles 8 to 10 of the Assembly Recommendation dated 17th December 1920, on the administration of the finances of the League of Nations. The preparatory examination would be carried out by the expert official referred to below (para. IX. (m)), who should report to the Commission any cases in which expenditure was unsupported by vouchers, and more particularly any case in which expenditure appeared to have been wrongly or irregularly authorised.

It is particularly necessary that this Commission should examine all cases in which a decision of the Financial Director may have been overruled by written directions from the Secretary-General, whether or not acting on instructions from the Council. To attain this end, it will be necessary that the Commission of Control should have power to call upon officers of the Secretariat to appear before them and explain the circumstances attending any exceptional or extraordinary expenditure.

It goes without saying that the control—especially the financial control—of this Commission will at the same time extend to an investigation of the question whether all the rules and administrative or other principles formulated in the present report have been scrupulously observed, and that it will also apply to the International Labour Office.

3. *Submission of the Budget.*—(g) The Committee desires to examine specially, in connection with the financial control, the form in which the budget is to be submitted.

Up to the present the task of the Financial Director in estimating the total expenditure that will be required by the League to meet totally new developments has been one of great difficulty, and it has not been found possible in many cases to make any detailed apportionment of the items of the proposed expenditure of the League under a specific head, e.g., meetings of Conferences. Yet the detailed study of the individual items composing a budget is the only road to economy, and the only method of ensuring proper financial control. Now that the Financial Director has gained so considerable an experience of most of the requirements of the League, on which a detailed estimate can be based, we suggest that the items of the budget should in future be sub-divided more than has hitherto been practicable.

(h) Further, we consider that it is desirable that a full comparison should be given in the budget between the expenditure in the current and forthcoming financial years, as regards not only the total expenditure on each item, but also the numbers of staff employed in each grade and the salary of that grade. In these matters the estimates presented to the British House of Commons would appear to be a suitable model, which might be followed by the League of Nations.

We also consider that the expenses incurred on behalf of the Technical Sections should be grouped together in such a manner as to show the total expenses of each Technical Section on staff, travelling expenses, subsistence allowances, postages, publications, &c., including all expenditure incurred in connection with the Technical Committee and Conference which are served by the Technical Section in question. We have made certain detailed suggestions to the Financial Director, who has been able to prepare the budget for 1922 on these lines, and we are satisfied that the requirements indicated above will be fully met.

(i) We have, moreover, recommended that the staff should be paid in Swiss francs. After very careful consideration of the many issues involved in this intricate problem, we are of the opinion that the gold franc, as being the most stable monetary unit the world over, should be retained as the unit of account for the purpose of assigning contributions. This, of course, will involve expressing the total income and expenditure of the League in gold francs, but it does not follow that the detailed expenditure under the various heads need also be so shown. If it were, it would be impossible to make any exact comparison. For instance, a fixed annual expenditure of, say, 5,000 francs (Swiss) might give different figures from year to year when expressed in gold francs.

(j) At the present time, the detailed accounts are kept in gold francs, a special officer being required to convert the everyday expenditure in Swiss francs into gold francs at the current rate of exchange.

In our opinion, this procedure is hardly necessary. We recommend that the detailed accounts should be kept in Swiss francs, and that the detailed items in the budget should be shown in Swiss francs. The totals of the votes only should be converted from Swiss francs into gold francs, for the purpose of balancing the estimated revenue and expenditure of the League.¹

(k) The rate of exchange at which this conversion should be made is a matter of some difficulty. In normal circumstances it should be made at par, and there is considerable force in the contention that this course should be followed even at the present time to avoid any element of exchange speculation. This, however, would at the present time involve the payment of higher contributions from the States Members than they would normally be called upon to make. We consider that the right course is to make the conversion in the budget from year at an arbitrary rate, calculated to allow a reasonable margin, and to show the actual results of the conversions effected in an exchange conversion account.

4. *Disposal of Balances*—The question of the disposal of the balance of revenue over expenditure at the end of the financial year has been brought to our notice. We consider that the course which should be followed in normal times is that such balance should be brought forward into the account of the ensuing financial year, the contributions from the different States Members being reduced accordingly.

The practice hitherto has been that any balance at the end of the financial year has been appropriated to the Working Capital Fund. We see no objection to this procedure, in so far as it has been followed during the early organisation period, but we consider that such appropriations, if made in the future, should first be approved by vote of the Assembly. We consider, further, that if this procedure is to be maintained for the present, it would be desirable that the total of the Working Capital Fund, a part of which, proportionate to its budget, might be at the disposal of the International Labour Office, should be fixed.

A separate Working Capital Account should be annexed to the budget, showing any advances made in respect of over-due contributions, advances made to administrative Commissions, &c., and the reimbursements received in respect of such advances within the past financial year.

IX.—ORGANISATION.

(a) As stated at the outset of this report, we have been very favourably impressed by the measure of the success which has so far been achieved in the organisation of the Secretariat, an organisation which has had to be constructed on novel lines in order that it might fitly perform the international duties entrusted to it. It is not necessary for us to emphasise the importance of these duties or the fact that few organisations have ever been called upon at so short notice to undertake a task of such complexity and difficulty.

(b) It appears to us, however, that, while the salaries hitherto paid to what may be called the founders of the new system have been justified, it should be possible, now that the strain of the initial period of organisation is beginning to pass, to effect certain economies in the staff of the higher personnel, as a result of the experience which has been gained.

After careful consideration of the degree of responsibility which is likely to devolve upon officers of the different grades of the Secretariat, we have come to the conclusion that it should not be necessary to appoint more than one Deputy Secretary-General and one Under Secretary-General to assist the Secretary-General in the work of general control.

It goes without saying that we make this recommendation with regard only to the important economy which would be realised by the suppression of one of the two posts of Under Secretary-General. It is true that we are also of opinion that, from an administrative point of view, a new organisation which included only one Under Secretary-General solely responsible for the interior organisation and permanently employed at the Secretariat would be, from the point of view of efficiency, at least as satisfactory as the present organisation.

We have had to consider the question as to whether the organisation of the Secretariat is sufficiently far advanced to allow the reform to be carried out at the first opportunity, in fact immediately. We consider that this is so.

Other considerations of considerable weight but of quite a different nature have been brought to our notice, having reference to the important principle that the various nationalities shall, as far as possible, be represented in equitable proportions on the Secretariat and, above all, amongst the Directors.

We felt that, under our terms of reference, we were bound to regard the question entirely from the economic and administrative points of view; and have declared ourselves in favour of the immediate realisation of a reform which circumstances have now rendered possible.

(c) It appears to us that the functions of the Secretary-General and of his Deputy may, broadly speaking, be defined as comprising:—

- (1) The general direction of the work of all the sections in so far as policy and the taking of decisions upon important questions of principle are concerned.
- (2) Close personal contact with the Assembly and with the Members of the Commissions and Conferences meeting under the auspices of the League. These meetings are, of course, the very life of the League. Without them the Secretariat would be a mere engine without impulse thrashing chaff in the mill. The primary duty of the Secretary-General as representative of the Secretariat is therefore to centralise and co-ordinate its efforts, to keep all the Committees and Conferences in mind of the general policy of the League, and thus help them to arrive at decisions which are in harmony with the lofty aims of which the League is the conscious expression.

¹ In the case of the International Office, the Budget and Accounts will be presented to the Secretary-General expressed in Swiss francs only.

- (3) The maintenance of close relations with the important political centres of the world—a duty which, as we have already said, involves, at any rate in so far as Europe is concerned, frequent and prolonged absences from the seat of the League.

(d) It appears to us that the Secretary-General and his Deputy have hitherto in an excessive degree been over-burdened with questions of interior organisation, discipline and routine, which have involved, *inter alia*, in the case of the Secretary-General, his almost continuous presence at the Headquarters of the League, and that it is essential in the general interests of the League that they should be relieved as far as possible from all responsibilities of this nature.

(e) We therefore suggest that all headquarters routine business should, subject to the final approval of the Secretary-General, be assigned to the Under Secretary-General. The latter would thus be placed in permanent charge of all matters connected with interior organisation and finance, discipline, staff questions and routine. He would also supervise those sections which properly belong to what may be called the machinery of the Secretariat and concern its working as a whole, as, for instance, the service of the translation, preparation and publication of documents, and the service of distribution.

This would leave the Secretary-General and his Deputy free to concentrate all the reins of policy in their hands, to supervise the work of the Directors, while leaving to the latter a large initiative so far as the administration of their various departments is concerned.

(f) The Secretariat might thus be grouped into a series of international organisations, established in accordance with the terms of various Articles of the Covenant, each driving wheel, as it were, of the machine being responsible to its own Commission or Conference and to the Secretary-General; preparing its own budget, after consultation with the Secretary-General and the Committee concerned, for submission by him to the Council and the Assembly, on the understanding, of course, that the regulations and scales of pay for their staff would follow the general lines prescribed for the Secretariat as a whole.

(g) The Technical Committees and Conferences would thus correspond in miniature to the Council and Assembly of the League itself. Each of the Technical Sections would become a small Secretariat under a Director with semi-independent functions working in connection with his own Committee, and preparing the full working material for his own Conferences under the general directions of the Secretary-General and using the general machinery of the Secretariat.

(h) We suggest, for instance, that these Sections or sub-Secretariats might be organised as follows:—

- (1) Section of the Economic and Financial Commission;
- (2) Transit Section;
- (3) Section of Public Health, which would be responsible for all social questions and for the proposed international legislation for the control of the Traffic in Opium and other dangerous Drugs;
- (4) Political Section;
- (5) Section of the Administrative Commissions and Minorities and Mandates, that is, a combination under one Director of the work at present done by two separate Sections;
- (6) Press Section.

Should the Council see fit to retain a seventh Director for the time being, it would have the right to do so. To the Sections we would add a Legal Adviser's Branch, which, in addition to giving legal advice to the Secretariat as a whole, would act as a channel of communication between the Secretariat and the newly-constituted Court of International Justice.

(i) We have given much attention to the number of officers of the grade of Director shown upon the present establishment, and to the rate of salary now paid to these officers. The present rate is a high one, even allowing for the ultimate reduction which we propose, as shown in Appendix I, and we feel some doubt as to whether it should eventually be necessary to retain the present number of officials paid at this rate. If the above proposals are adopted, we wish it to be understood that the scale of salary which we recommend for Directors is suggested only on the understanding that the number of Directors will not ultimately exceed six, unless new developments take place justifying an increase in the number.

(j) It will be seen from Annex 1 that we have recommended the creation of a new grade, that of Chief of Section. This grade is intended to provide for the case where there is work of considerable importance to be undertaken which would normally be assigned to a Director if he were available to take charge of it, but where, because of its temporary character, or for other reasons, although an official with special technical qualifications is needed, the services of a Director are not required.

(k) We have not thought it advisable to give any precise indication of the number of Chiefs of Section or of the proportion of the more costly Members of Section, Class A, to the less costly Members of Section, Class B, nor do we think that it will ever be possible to do so. The work of the Secretariat will undergo constant change; while some branches of its activity may be temporarily on the increase, other branches may be expected to bring their work to a conclusion within a definite limit of time, with the result that the staff required in these branches may at any time be reduced or altogether dispensed with, those who are members of the permanent staff being transferred to other branches. But it is obvious that if the establishment showed a number of the more highly paid posts out of all proportion to the lower, the scales which we propose would not make for economical administration. We therefore insist that, in preparing his budget for any given year, the Secretary-General must bear constantly in mind the necessity for economy and recommend only such promotions to the higher ranks as are really required in the interests of the work.¹

¹ It is hardly necessary to state that the same observations apply to the International Labour Office. The scales proposed for the Chiefs of Division of the International Labour Office are lower than those suggested for the Directors of the Secretariat. These scales have been proposed advisedly, and it follows that the same sparing use for Chiefs of Section should be made in that Office as is recommended in the Secretariat.

(l) *Work of the Sections.*—We have examined the statements and proposals of the Commission of Experts as to the conditions under which the work of each Section is carried out.

As regards the Library, the Registry, the Publications and Information Sections, the subordinate services, the supplies and furniture, and the restaurant, we are in full agreement with the Commission of Enquiry, and we venture to draw the attention of the Assembly to those parts of the report of that Commission which deal with the six questions concerned (pp. 23–26 and 64–67, paras. 85, 86, 87, 92, 93, 95, 96, 97, 100).

We propose that the Assembly should, like ourselves, declare its agreement with the proposals and recommendations included in these nine paragraphs.

(m) We consider that particular stress should be laid upon the Financial Director's Department. The Secretariat possesses a currency conversion officer. The changes which we have recommended as to the payment of salaries in Swiss francs and the keeping of the accounts of the League in the same currency permits a saving to be effected by the suppression of this post.

The Appropriation Officer is responsible for insuring that proper provision exists in the budget, in the form of corresponding credits, for each payment, before payment is actually made by the accountant.

We understand that the purpose for which this post was created was to ensure that expenditure was in complete conformity with the provision made in the budget: we consider that this post could be maintained, but, as a consequence of the creation of the Commission of Control, it is clear that in future this officer will receive his instructions from the Commission of Control, and will be responsible to it for any expenses incurred without vouchers or without authorisation.

With regard to the organisation of work, we think that it would be advisable in the near future to organise the routine work of the Finance Section into three sub-sections, corresponding to the technical organisations, the Establishment Section and the Printing and Publications Section respectively. The accountant of each sub-section, who would be responsible for checking all bills before payment and for the preparation of salary-lists and cheques, would also collaborate in the compilation of the budget estimates for their respective sub-sections.

We consider that the present procedure of closing accounts at the end of the financial year, and paying-outstanding bills out of similar appropriations for the following year, should be continued; arrangements should, however, be made to secure that orders for payments outstanding for three months should lapse automatically. A special form for orders for payments would be sufficient for this purpose. Such a system would facilitate and hasten settlement of accounts.

(n) We consider that it might be desirable, in accordance with the recommendation of the Commission of Enquiry, to combine the work of the Translators and Interpreters Section with that of the Précis-writing Department. This would result in giving the staff of the combined section more variety in their work and would also provide greater elasticity, especially at times of pressure. We desire to place on record a statement, which is purely objective, since it is not within our competence to alter the Covenant, that at least one-third of the internal expenditure of the League arises from the compulsory use, prescribed by the Covenant, of the two languages French and English in all official documents:

This statement is not without value in view of the hypothesis that the employment of another language, natural or artificial, is said to be contemplated in some quarters.

(o) A very interesting observation on the part of the British Delegate has drawn the attention of the Committee—which in its turn feels bound to draw the attention of the Assembly—to the differences, sometimes considerable, existing between the French and English texts of documents furnished by the Secretariat. This difference is particularly marked in the provisional verbatim records of the meetings of the Assembly and of the Committees. The explanation of these differences is clearly to be found in the speed with which the Secretariat is compelled to satisfy the demands of journalists for information.

It was suggested, at the Committee, for example, that for next Assembly the procedure adopted in certain Parliaments might be followed with advantage, especially the rapid publication of an analytical verbatim record, followed at 24 or even 48 hours' interval by the stenographers' report of the debates after the proofs had been corrected by those interested in the matter in hand.

We wish, in any case, to draw the attention of the Secretariat to the necessity for obtaining closer agreement of the English and French texts of all documents furnished by it.

(p) As regards the employment of women in the services of the League, we recognise the justice of the rule laid down in the Covenant that all positions under or in connection with the League shall be open equally to men and women.

We would only wish to draw attention to the difficulties which might arise from the employment of husbands and wives, at least in the same branch of the office.

We welcome the appointment already made of two ladies of proved experience, who may be consulted by the Secretariat on women's questions generally, especially on matters of discipline, and questions of health, morals and welfare.

Vague proposals have been made to the effect that women employed should be compelled to wear uniform, or at least to dress in dark colours.

A rule of such unpleasant severity seems veritably uncalled for and ill-timed, for the radiant harm of a discreet elegance as displayed in feminine attire creates an atmosphere which is wholly delightful and is far from impairing the quality of the work undertaken in common.

(q) As regards the hours of work and leave, we recommend that the working week should be 2 hours a week with a half-holiday on Saturday when the state of work permits.

Whenever possible, time in lieu should be given to the subordinate staff as compensation for overtime, and overtime should not be claimable except for an attendance which exceeds 44 hours a week.

We recommend that an attendance book should be kept for officials of all ranks without exception.

Sick leave on full pay, and after the expiration of a certain period on half pay, should be granted to the staff under regulations similar to those generally in force in public administrations. We are satisfied with the rules already in force with regard to regular leave.

It has been brought to the notice of the Committee that existing regulations concerning leave demand that officials proceeding on annual leave should do so at their own expense. We consider that we should be justified in recommending that the Assembly might fairly confer on the staff the privilege, which would be much appreciated, and relatively inexpensive, of one journey home a year at the cost of the League; provided that this advantage should not be conferred upon members of the staff who have the opportunity during their regular service, and at the expense of the League, of returning home during the current financial year and to spend their normal period of leave there.

Outside the limits of Europe, it would probably be necessary, owing to the far greater cost involved, to give this privilege only once in every two, or, in the case of the most distant countries, every three years. Apart from the fact that it is obviously desirable that members of an international staff should be encouraged to keep in touch with their own nationals, the privilege of returning home at least once a year would have certain advantages in view of the high cost of living in Geneva, which has often been impressed upon us. In particular, it would enable members of the staff to buy their clothing and personal necessities in their countries of origin. This would relieve them of the necessity of purchasing such articles in Switzerland at prices which are said to be higher than those in their own countries.

PART II.—INTERNATIONAL LABOUR OFFICE.

I.—GENERAL OBSERVATIONS.

In Part I. of this Report we have made certain observations of a general nature which apply to the International Labour Office no less than to the Secretariat.

But there are certain adaptations and modifications in respect of their specific applications to the International Labour Office which now require to be stated.

Before submitting these considerations which refer especially to the International Labour Office, we venture to draw attention to paras. 104–111 (pages 27 and 28, 68 and 69) of the Commission of Enquiry Report, in which are summarised the principles of the International Labour Organisation and of its three divisions: the General Conference, the Governing Body and the International Labour Office.

Generally speaking, we prefer the observations, for the most part of a favourable nature, made by the Committee of Enquiry with regard to the lines upon which the International Labour Office has, up to the present, been conducted.

We agree that attention should be drawn to the dangers which accompany any excessive diffusion of energy and to the fact that it is essential for the International Labour Office, in its own interests and for its own welfare, to maintain the objective impartiality which is the only reasonable standpoint of an organism whose principal, if not sole, duty lies in the accumulation of the most complete, definite and universal information on all labour questions. It is fair, however, to state that the Commission are fully satisfied that the International Labour Office has hitherto made every endeavour to confine its enquiries and activities within the proper limits, and, above all, to keep in close touch with the Secretariat and the various technical organisations that have been set up in the League of Nations. It seems clearly desirable that the International Labour Office should adhere to this line of conduct.

By reason of the fact that its duties are clearly marked and their application well defined, the organisation of the International Labour Office has been able to be carried out with greater speed and facility than that of the Secretariat, which had to deal with a great number of different subjects, ranging from questions of the most technical nature to political problems of the widest kind.

The duties of the International Labour Office, as understood and carried out by it, can be defined broadly as follows: the collection of accurate information and statistics about labour problems on an international basis; the preparation of detailed material which shall lead up to the International Labour Conventions and the following up of the application of the International Conventions by the various national legislatures.

It is only fair to recognise that the International Labour Office has, in a short period, been able to attain a high state of organisation and efficiency.

We have noted the observations contained in the Report of the Commission of Enquiry to the effect that the staff is able, hard-working and enthusiastic, and that, inspired by the overflowing energy and remarkable personal magnetism of their distinguished Director, and recruited with the greatest care, they possess to an unusual degree—whether in the administrative or in the more highly specialised sections—the qualities required.

II.—STAFF.

(a) *Recruitment and Conditions of Service*—We are of the opinion that, generally speaking, the decisions which were formerly arrived at, as regards the conditions of service and recruitment of the Secretariat, can be applied also to the International Labour Office. They may be summarised as follows: The posts of Director and Deputy-Director should be filled by appointments from outside the office; the subordinate personnel should be recruited locally; the staff of the intermediate grades should be recruited internationally, and should be given long-term engagements. Proportional representation, as far as possible, of the different nationalities on the staff of the International Labour Office is of the greatest importance. Efficiency should, however, be the prior consideration, since the staff must be highly trained and specialised in all questions with which it has to deal before being able to attain the maximum efficiency.

As regards the method of recruitment, the general principles recommended for the Secretariat may be applied with advantage to the International Labour Office.

(b) *Salaries*—The general observations which we have made relating to the salaries of the staff of the Secretariat may be taken as holding good in the case of the International Labour Office with certain qualifications. We recommend that the scale of salaries in Annex 1 should be adopted for this staff.

The Committee has, however, decided to refer to the Salaries Adjustment Committee the question of whether an intermediate scale of salaries should be fixed, as the International Labour Office proposes.

(c) *Subsistence Allowances and Frais de Représentation*—We consider that the rates recommended for adoption in the Secretariat, and set out in Annex 3, should also be adopted for the officials of the International Labour Office.

We would also recommend that the question of the *frais de représentation* should be taken up and decision arrived at on the lines laid down in paras 37 and 39 of the Report of the Committee of Enquiry.

III.—FINANCIAL CONTROL.

We consider that the principles underlying the arrangements which have been proposed in Part I. of this Report, as to the control of expenditure of the Secretariat, should apply equally in the case of the International Labour Office.

In submitting this view, we have taken into full consideration those articles of the Treaties which have some reference to the financial control of the International Labour Office. We consider, however, that it is essential that the Assembly, which is called upon to vote the funds required for the support of the International Labour Office equally with the funds for the support of the League as a whole, should be afforded the same opportunities of controlling the expenditure proposed by the Governing Body of the International Labour Office as we have suggested should be afforded in the case of expenditure of the Secretariat of the League. Owing to the constitution of the International Labour Office, it may, however, be necessary to make certain modifications in the procedure to be adopted.

The present procedure is as follows: The budget of the International Labour Office is first submitted by the Director to the Finance Committee of the Governing Body; and, after approval by the Governing Body as a whole, is transmitted to the Secretary-General of the League for inclusion in the general budget of the League.

It might be objected to the proposal that the budget of the International Labour Office should be discussed again *de novo* by the Commission of Control, that, as 12 Governments have official representatives on the Governing Body, the Governments of the States Members have already had some opportunity, through the agency of their official representatives, of criticising the budget proposals.

This objection, however, seems to us to impose an altogether unfair responsibility on the official representatives of the Governing Body, who may be selected primarily for their experience in labour matters and not as financial critics.

Nor does it provide for any adequate criticism by representatives of the Assembly.

We suggest that the position of the Governing Body of the International Labour Office in regard to finances would be more amply safeguarded if four of its members were appointed to meet the Commission of Control to discuss and explain the budget proposals for the ensuing financial year and also to appear before the Fourth Assembly Committee. Two of these representatives should be chosen from among the Government representatives, one from the employers' and one from the workers' representatives. In addition, it might be left to the Governing Body, if they thought fit, to ask that the Director or his Deputy should be allowed to accompany this body as an additional member. We suggest that it would be advantageous that one of these representatives, appointed by the Governing Body, should be accorded the privilege of appearing in the Assembly when the Budget of the International Labour Office is discussed by that body since the discussion of proposed expenditure is bound to be unfruitful unless accredited representatives of the responsible authorities are afforded this opportunity of defending their proposals in person.

Consequently, we propose that the Governing Body of the International Labour Office may send one representative to the Assembly when the budget of the International Labour Office is discussed. This representative, selected by the Governing Body, may speak in the Assembly at the President's invitation, in an advisory capacity. The representative this year will be the *Rapporteur* for the budget or the President of the Governing Body.

We consider that the arrangement proposed for the audit of the completed accounts of the League should apply to the International Labour Office without modification.

IV.—ORGANISATION.

We have already given reasons why the task of building up the organisation of the International Labour Office has been in some respects easier than the corresponding task as regards the Secretariat.

We do not, however, wish this observation to be allowed to detract in any way from our opinion that the organisation of the Office has been brought to a very high state of efficiency—a fact which will cause no surprise to those who recall the past triumphs of the present Director in the field of organisation.

The Director has received very able assistance in the matter of organisation from the Deputy-Director, who is responsible for the control and arrangement of the internal services of the Office.

We have no criticism to make of the manner in which the accounts are kept, or of the general financial arrangements, except that we would suggest that rather more detail might be given in the budget on the general lines indicated in Part I. of this Report.

Offices of the International Labour Office.—We have been informed that the International Labour Office has contemplated the possible purchase of the building which it at present occupies.

We have requested that a Sub-Committee should be appointed to inquire into this matter and to express an opinion upon it.

The results of this enquiry, which are fully accepted by the Fourth Committee, are as follows:—

(1) It is not desirable that the International Labour Office should take any steps in the matter of purchase until a definite decision has been reached with regard to the permanent adoption of Geneva

as the seat of the League. It is to be hoped that this decision will be reached before the next Assembly.

(2) It is clearly desirable that the International Labour Office should own the building which it occupies in whatever city is chosen as the permanent seat of the League.

(3) In the meantime it is preferable to lease the buildings.

(4) The Governing Body of the International Labour Office should be authorised to expend, during the next 12 months, a sum not exceeding 10,000 or 12,000 Swiss francs for the purpose of renting a building in the neighbourhood of the building now occupied and of carrying out certain improvements and alterations.

Organisation of Sections.—In accordance with our terms of reference, we propose to make certain observations on the organisation of the different Sections of the Office, but these observations refer, in general, more to the lines of the future development of the Office than to any specific alteration which might be immediately undertaken.

(a) *Cabinet.*—The cabinet system has made it possible for a very high degree of centralisation to be carried out in the administrative work of the Office. Without that system the Director could not have kept himself informed of the many important phases of development in the work of the Office as it grew up, nor would he have been able to maintain direct and personal touch with Governments and important organisations throughout the world. There is no doubt, therefore, that this highly centralised system has been helpful in the organisation period of the International Labour Office. It is, however, undeniable that the cabinet system is bound to diminish, to some considerable extent, the responsibility of the Chiefs of Divisions.

We would like to record our opinion that it may be desirable at some future date, when the work of the International Labour Office has attained greater stability than at present, and when the need for centralisation is less urgent, to give increased responsibility to heads of Divisions with advantage to the general working of the Office.

(b) *Allocation of Work to three Divisions.*—At present there are two main Divisions, exclusive of the central services, which are under the special charge of the Deputy-Director—the Diplomatic and the Scientific Divisions.

Before making such observations as occur to us on the work of these Divisions, we would suggest that the co-ordination between these Divisions and Technical Sections is not sufficiently close if considered as a permanent form of organisation. Concentration is not necessarily centralisation, and we suggest that, as opportunity occurs, every effort should be made to attach the work of the Technical Sections more definitely to that of the Divisions. Such a development would seem to indicate that the main work of the Office should be re-grouped into three Divisions, each under a head of Division.

The first would deal with the diplomatic work, viz., the execution of the decisions of the annual conference, and of the commissions arising out of that conference, as also with International Conventions and the task of carrying on negotiations with the various Governments and preparation of work for future conferences.

The second Division would deal with Research, and it would be in this Division that the majority of the Technical Section would be incorporated, the work of the Division being generally to undertake the technical preparation required for the work of the Diplomatic and Publications Divisions.

We think it would be desirable to constitute a third Division for the publication work now assigned to the Scientific Division.

(c) *Technical Sections.*—In the preceding paragraph the Committee has suggested attaching certain technical sections to the Scientific Division, while other technical sections would be attached to the present Diplomatic Division.

The only general observation which the Committee wishes to make about the work of this Section is that it considers it of great importance that the practical end in view should be constantly borne in mind.

Although the method of work employed by the staff of the suggested Research Division would be analogous to that of a research worker, it would suggest that out of the almost limitless field for possible enquiries the International Labour Office should, in these early stages of its formation, prefer enquiries on such subjects as are likely to lead to legislation within the next few years to what might be termed "sounding" enquiries of a general nature, however tempting such researches may be to the general study of industrial and labour problems, and whatever interest they may have possessed in the past from an ideal point of view. The Committee notes with satisfaction that the policy of the Governing Body and of the Director of the International Labour Office has generally conformed to this principle.

(d) *Scientific Division.*—We have suggested above that the work at present performed in the Scientific Division might be divided into two parts.

One part would be assigned to a new Research Division to which the Technical Sections would be attached, while the other would be assigned to the Publications and Intelligence Division devoted to the collection and dissemination of intelligence and to producing the publications of the Office.

To this Division we should also assign the record of Labour legislation, the Library and the very important work of the Statistical Section. The latter section is at present understaffed and the Committee considers that it might usefully be strengthened.

The collection of information is for the double purpose of keeping the staff of the Office informed of events which affect their work as a whole, and of collating material concerning labour questions—a task of international interest. This function of the International Labour Office is prescribed by Article 396 of the Treaty of Versailles.

The Committee considers, however, that steps should be taken to ensure that the collection of information and the compilation of statistics shall be carried out in close co-operation with the national Governments.

Most of the Labour Ministries of the world now include an Intelligence Section, which studies labour questions abroad. There would thus seem to be a promising field for economy if the national Government Offices concerned could rely on the International Labour Office for all information and

statistics relating to labour questions in countries other than their own, and confine their researches to the national aspect only of such questions.

The information thus supplied by the national Government would be codified by the International Labour Office, which in this manner would serve as a clearing-house of intelligence and statistics and relieve the national Governments of the difficult task of collecting information regarding the conditions prevailing in foreign countries.

The Committee appreciates the great importance of the work which the International Labour Office is undertaking in the establishment of a uniform system for the preparation and compilation of statistics. It considers that the relations established in this respect with the Economic and Financial Section of the Secretariat should become closer. The functions of the International Labour Office in this respect should therefore be limited to matters of industrial as distinguished from economic interest.

(e) *Daily Intelligence*—The attention of the Committee has been called to the *Bulletin* printed daily in the International Labour Office and circulated by post throughout the world. It has ascertained that the cost of printing and publishing this *Bulletin* alone, not including the cost of postage, amounts to no less than 120,000 gold francs a year. It considers that the *Bulletin* is scarcely useful enough to justify an expenditure on this scale.

It would recommend that its publication, apart from Conference periods, should be normally limited to a weekly or a bi-weekly issue, considering that the information supplied therein is not of such importance that it need be published every day. Among other advantages this would permit of the contract for printing being placed elsewhere than at Geneva, for instance at Lyons, where printing rates are lower.

In view of the length of time before the *Daily Intelligence* is received by its readers—particularly in the more distant countries—the Commission would suggest that its contents should be limited to matters of permanent international interest, and should not deal with current events of an evanescent character, which the Press is certain to bring to the notice of the general public and of persons specially interested.

(f) *Library*—The International Labour Office has, in the opinion of the Commission, done well to purchase the Library of the International Labour Association of Basle. It thinks it is clearly right that the International Labour Office should carry on the work of the Basle Library, and gradually build up a collection of literature on subjects affecting the work of the Office, and it has no fault to find with the choice of books bought. It is, however, essential that great care should be exercised to avoid overlapping with the Library of the Secretariat. The Committee, however, is inclined to think that the organisation of the Library has been framed on rather too ambitious a scale. When once the task of cataloguing the Basle Library has been completed, it should be possible to effect reductions in the staff of the Library, which at present numbers 14.

In connection with the observations on the organisation of the work of the various sections of the International Labour Office, the Committee is of opinion that the Director would be left some latitude in the application of proposals dealing merely with points of detail.

Finally, the Fourth Committee has paid the Commission of Enquiry the most valuable tribute it could hope for by adopting almost all its suggestions.

The President of the Commission of Experts ventures to thank the Fourth Committee on his own behalf, on that of his colleagues and especially on behalf of Colonel Johnson, whose personal labours were a decisive factor in the achievement of a fruitful and efficient work.

The Fourth Committee has doubtless suggested many reforms, from which it expects, together with an appreciable reduction in expenditure, results at least as great and even greater than in the past from the work of the two principal organisations of the League.

In conclusion the Committee would, however, repeat what it said at the beginning of this report, that the League of Nations should, on the whole, be very grateful for the work already done and the results obtained by the staff of its Secretariat and especially by its higher officers.

SUMMARY OF SPECIFIC DECISIONS TAKEN BY COMMITTEE NO. 4.

1st Meeting.—Nothing.

2nd Meeting.—The Committee agreed that the question of the cost of living in Geneva should be referred to the Salaries Adjustment Committee mentioned in the Report of the Committee of Experts, the question of the seat of the League being expressly excepted from this reference.

“Considering that the question of the seat of the League is not governed exclusively by financial considerations, the Committee, in taking note of the opinion expressed in the Report of the Committee of Experts regarding the cost of living in Geneva, which is referred to a special Committee for investigation, leaves the question of the seat of the League to be considered elsewhere.”

3rd Meeting.—Any recommendations by this Committee (Salaries Adjustment Committee), must be submitted to the Council (or, in the case of the International Labour Office, to the Governing Body) for their approval before they are put into effect. These conclusions must, however, conform to the budget formally voted by the Assembly.

The Committee agreed to fix a formal rate of 70 gold francs per day for the members of fixed Committees, such as the Financial Committee, which assembled at Geneva or elsewhere periodically to give their assistance to the League. If, for some purpose, the League required the special services of some eminent person, the Council should have liberty to make special arrangements.

4th Meeting.—The total of this fund (Entertainment Fund) should not exceed the total amount of entertainment allowance surrendered by the higher officials of the League.

The Committee recommends that all members of the League should entrust the reservation of accommodation for their representatives and officials visiting Geneva, to the expert official referred to in para 38 of the Report of the Committee of Experts, informing him in good time of the accommodation required, and of the approximate price they are prepared to pay.

It is exceedingly desirable, especially in the higher administrative positions, that the Secretariat of the League of Nations and of the International Labour Office should, as far as possible, be recruited

in fair proportion from the various States Members of the League, and that this principle should be carefully borne in mind in filling future vacancies, regard being always had to the requirements of efficiency.

5th Meeting.—These officials (Directors) may, in exceptional cases, be reappointed.

The Committee agreed to maintain the period of engagement at 21 years, as recommended by the Committee of Experts, but agreed to fix the age limit at 55 years instead of at 50 years. No official could remain in the service of the League more than 21 years or after reaching the age of 55 years.

The Committee adopted the principle of a deferred pay scheme.

The Committee agreed to refer to the Salaries Adjustment Committee the elaboration of the details of this scheme. This Committee would decide whether or no it would adopt the proposal that the Pension Fund should be worked under the management of the parties concerned. The Committee agreed to instruct the Salaries Adjustment Committee to prepare a report on the question for submission to the next Assembly, such report being distributed to the States Members of the League three months before the date of the next Assembly.

6th Meeting.—The Committee agreed to adopt para. 42 of the Report of the Committee of Experts relative to the recruitment of staff, with the following modification: The words "recruitment by open competitive examination" should be replaced by the words "recruitment in conformity with the principles laid down in Articles 42 to 54 of the present report."

The Committee agreed to insert in Article 59 of the Report of the Committee of Experts, after the words "the Council," the words "at the request of the Assembly," and to stipulate that at least one of the Members of the Commission of Control should be a financial expert.

The Committee further agreed not to recommend the appointment of a special financial expert.

7th Meeting.—The Committee agreed to maintain the existing financial year.

The Committee agreed to recommend the principle of the fixation of a maximum of working capital fund and to adopt the recommendations, in the Report of the Committee of Experts, that payments to the reserve fund should only be made with the express approval of the Assembly.

The Committee recommended that the Labour Office should participate proportionally in the working capital fund.

8th Meeting.—The Committee adopted the recommendations of the Committee of Experts that the number of Under Secretaries-General should be reduced to one, and the number of Directors to six, on the understanding that this number could be increased to seven with the approval of the Council.

The Committee agreed to recommend that the Appropriation Officer mentioned in Article 89 of the Report of the Committee of Experts should receive his instructions from and report to the Commission of Control, and to amend in this sense the paragraph in question.

The Committee agreed to recommend the establishment of an Office in Latin America.

The Committee recommended that in future the provisional Verbatim Record of the proceedings of the Assembly should be revised by one or two experts before being published so as to avoid obvious divergencies between the English and French texts.

9th Meeting.—The Committee agreed to refer to the Salaries Adjustment Committee the question of the desirability of creating, as proposed by the International Labour Office, an intermediate scale of salaries.

The Committee agreed that, during the discussion of the budget in the Assembly, the Labour Office could, on the invitation of the President and with the approval of the Assembly, be represented by one person, but that the four members of the Governing Body referred to in the Report of the Committee of Experts should be empowered to appear before the Fourth Committee and before the Commission of Control.

The Committee agreed, in accordance with the report of the sub-Committee appointed for that purpose, not to recommend the purchase of the building occupied by the International Labour Office.

Annex I.—Rates of salary proposed.

The following are the rates of salary which the Committee recommend should be adopted for future appointments to the Secretariat and to the International Labour Office. It should be understood that these rates have been suggested by the Commission, having regard to the present cost of living in Geneva, and that they should be reviewed, in the manner indicated in Annex II., should the cost of living fall or rise to any considerable degree.

	Increase,		
	Minimum.	annual.	Maximum.
	Swiss Francs.		
Directors (Secretariat only) - - - - -	41,000	2,500	53,000
Chiefs of Divisions (International Labour Office only) - - - - -	38,500	2,000	47,000
Chiefs of Sections - - - - -	28,000	1,000	33,000
Members of Sections:—			
(1) Class A. - - - - -	19,600	800	28,000
(2) Class B. - - - - -	13,700	800	19,000
Senior Clerical Assistants and Secretary Shorthand-Typists - - - - -	8,700	250	11,250
Bilingual Shorthand-Typists - - - - -	7,500	250	10,000
Clerical Assistants - - - - -	7,000	200	9,500
Copying Typists (locally recruited) - - - - -	(See recommendations of I. L. O.)		

The Committee wish it to be distinctly understood that they consider that the salaries which are now being paid in many cases in excess of those suggested by them above are justified, having regard to the necessity for recruiting especially well-qualified personnel in the organisation period

They are, however, of the opinion that, as soon as normal conditions of work prevail, it should be possible to obtain personnel of the requisite calibre at the rates suggested.

There are certain posts which are not included in the general grading of the Secretariat, as to which the Commission would like to suggest that the appropriate salaries on the occurrence of vacancies should be as follows :—

<p>I. Head of the Interpreters and Translators Department.</p> <p>II. Establishment Officer.</p> <p>III. Head of Précis-Writing Department.</p> <p>IV. Head of Registry - - - - -</p> <p>V. Librarian - - - - -</p>	<p>} These posts might be graded equivalent to those of Members of Sections, Class A.</p> <p>} This post might be graded with a special scale of salary of 20,000 Swiss francs, rising by 500 annually to 25,000.</p> <p>} The holders of this post might receive a special salary of 20,000 Swiss francs. The two chief assistants in the Library should receive salaries on the scale 13,750 by 300 to 16,250 Swiss francs annually.</p>
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It was decided to refer to the Salaries Adjustment Committee the question whether a new class of Précis-writers with a salary from 11,250 to 13,000 Swiss francs should be introduced into this scale for the International Labour Office only.

Annex II.—Variations in Salary in accordance with Cost of Living.

I.—Method of Calculating Variable Portion of Salaries.

Total Salary.	Method of Calculating Variable Portion.
Below 7,000 Swiss francs	55 per cent. fixed, 45 per cent. variable.
7,000 - - - - -	3,800 fixed, 3,150 variable.
7,001-8,000 - - - - -	3,150 of first 7,000 + 15 per cent. of salary above that point is variable.
8,000 - - - - -	4,700 fixed, 3,300 variable.
8,001 and above - - - - -	3,300 of the first 8,000 + 10 per cent. of salary above that point is variable.

II.—Ready Rechner

Total Salary.	Fixed Portion.	Variable Portion.	Total Salary.	Fixed Portion.	Variable Portion.
Swiss francs.	Swiss francs.	Swiss francs.	Swiss francs.	Swiss francs.	Swiss francs.
7,000	3,850	3,150	18,000	13,700	4,300
8,000	4,700	3,300	19,000	14,600	4,400
9,000	5,600	3,400	20,000	15,500	4,500
10,000	6,500	3,500	25,000	20,000	5,000
11,000	7,400	3,600	30,000	24,500	5,500
12,000	8,300	3,700	35,000	29,000	6,000
13,000	9,200	3,800	40,000	33,500	6,500
14,000	10,100	3,900	45,000	38,000	7,000
15,000	11,100	4,000	50,000	42,500	7,500
16,000	11,900	4,100	55,000	47,000	8,000
17,000	12,800	4,200			

The general principles underlying these tables are as follows :—

(1) It is clear that, other things being equal, the smaller the amount of salary received the greater is the proportion of that salary which must be expended on the necessities of life; and that, on the other hand, the larger the salary received the greater is the proportion of that salary which is available to meet outgoings other than in respect of necessities, and that these outgoings, in so far as they represent savings, are less affected by temporary variations in the cost of necessities of life. To the extent that they represent luxury expenditure, the spenders have more opportunity for economies than those who are in receipt of low salaries.

(2) We have therefore to suggest some system by which the lower ranges of salaries shall vary in a more direct relation to the variations in the cost of living than the higher salaries. This principle applies, of course, with equal force, whether the cost of living rises or falls.

(3) It is clear from the above that, as the salaries at present paid to the staff, and those recommended by the Commission to be paid, are admittedly based on the existing position with regard to prices, the present scales for the lower grades contain a larger proportion of compensation for the present a normal cost of living than those for the higher grades.

The system which is usually followed in England and elsewhere is to make percentage additions to the 1914 standard of remuneration, which are proportionately higher in respect of the lower salaries. But in the present case two important factors necessary to work out calculations on this basis are missing :—

(a) It is impossible to conjecture what the 1914 standard of remuneration for the League would have been, as the League did not exist at that date.

(b) We have no reliable figures to hand as to the 1914 cost of living in Geneva as compared with the cost at the present time. The statistics which have been presented to us compare only the cost of living in Geneva and London at the time of the removal of the headquarters of the League. It will be the task of the Salaries Adjustment Committee to compare the cost of living in Geneva at various times.

The element of expatriation, which has formed so large an element in arriving at the existing salaries, presents another factor difficult to estimate.

It therefore seems best to take as our starting point the rates of remuneration shown in Annex I., which have been arrived at after taking into full consideration, *inter alia*, the present high cost of living. The method which we propose is that the present salaries should be divided into two parts, of which one part should be fixed, while the other part should vary in exact relation with the variation in the cost of living as ascertained by the Salaries Adjustment Committee. For the reasons given above, the amount of variable salary must be proportionately greater in the lower than in the higher grades, and our tables have been constructed on this basis.

The Commission wish it to be understood, however, that the tables are tentative, and we do not suggest that any modification in the amount of the variable portion would prove fatal to the scheme. On the contrary, we would recommend that these tables should, prior to adoption, be submitted to the proposed Salaries Adjustment Committee, when constituted, for their consideration and observations.

It is suggested that any re-assessing of salaries which may be necessary should be made once every six months, and that the salaries for the coming period of six months should be based on the average rise or fall of the cost of living over the preceding period of six months. The average rise or fall should be calculated in round figures to five decimal points, taking the figure for the present cost of living as represented by 100. Further, as a matter of administrative convenience, it would be advisable until the cost of living has moved by 10 per cent. in either direction, that no variations should be effected in accordance with this scheme.

The arrangements outlined above have been framed without reference to the cases of the Secretary-General, the Deputy Secretary-General, and the Under Secretaries-General, whose salaries have been fixed in pounds sterling on five-year contracts. So far as we are aware, these officials would not have any claim to any increase in their remuneration should the cost of living rise and it might well be claimed that they should equally be exempt from any deduction in their salaries should the cost of living fall, but in all the circumstances we consider that it would be fair that salaries should be subject to some deduction should the cost of living fall. We therefore recommend that, in the case of a fall, but not of a rise, in the cost of living, 10 per cent. only of the salaries of these officials should be subject to variation, in accordance with the cost of living, in the manner indicated in this Appendix. We finally suggest that the same arrangement might fairly be applied to the case of the Director and Deputy Director of the International Labour Office.

Annex III.—Subsistence Allowances.

The following are the rates of subsistence allowances which the Committee recommend should be adopted for members of the Secretariat in lieu of those at present in force :—

Class A :—

Secretary-General	-	-	-	-	-	} 60 Swiss francs a day.
Deputy Secretary-General	-	-	-	-	-	
Under Secretaries-General	-	-	-	-	-	
Directors of Sections	-	-	-	-	-	

Class B :—

Chiefs of Sections	-	-	-	-	-	} 40 Swiss francs a day.
Members of Sections	-	-	-	-	-	
Personal Assistant of the Secretary-General, of the Deputy Secretary-General and of the Under Secretaries-General	-	-	-	-	-	
Heads of Administrative Departments	-	-	-	-	-	
Chief Interpreter	-	-	-	-	-	
Registrar of Documents	-	-	-	-	-	
Chief Editor	-	-	-	-	-	
Establishment Officer	-	-	-	-	-	
Librarian	-	-	-	-	-	
Secretaries, Chief Accountant	-	-	-	-	-	
Assistant Editor	-	-	-	-	-	
Assistant Director and Deputy	-	-	-	-	-	
Director of the Registry, Interpreters and Translators, Chief Distribution Clerk	-	-	-	-	-	
Head of Stenographers	-	-	-	-	-	

Class C :—

Any members of the Clerical Staff, other than the above, when travelling abroad to assist at Council or Commission or other League Meetings	-	-	-	-	-	} 30 Swiss francs a day for period of a week. 25 Swiss francs a day after the first week.
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Note.—These scales are intended to apply to the officials of corresponding grades in the International Labour Office.

ANNEX 5 :—Report of the Committee No. IV on the Allocation of the Expenses of the League of Nations

In execution of the recommendation adopted by the Assembly of the League of Nations in December, 1920, a Committee of five Members was appointed by the Council to report on the allocation of expenses. It was composed of MM. Reveillaud (France), Chairman; Barboza Carneiro (Brazil); Alfred Georg (Switzerland); Sthyr, and subsequently de Kauffmann, as substitute for M. Gluckstadt (Denmark); and Sir Henry Strakosch (South Africa). The Report was to be presented to the Council by 31st March 1921. The time at the disposal of this Committee in which to deal

with so difficult and complex a question was, therefore, extremely short. It was obviously beyond its powers thoroughly to investigate all possible bases of allocation which might contribute to forming a fair estimate of the "capacity for payment" of the various Members of the League; which was the guiding principle approved by a Committee of the Brussels Financial Conference.

Adequate statistics of national resources were not available, and the Committee, faced with the obligation of submitting a practical proposal within three months, adopted as a measure of the capacity for payment the index obtainable from totals of populations on 31st December 1919, in conjunction with the net revenue for 1913, the last year 'before' the war. The Expert Committee readily admitted that both these indices must remain a far from complete or reliable basis for the purpose in view. They recognised, for instance, that the large native populations of certain extra-European countries do not, in many cases, appreciably increase their resources. It was, therefore, laid down that the co-efficient of the population of any State should in no case be estimated as exceeding 5 per cent. of the total population of the States Members of the League. No less readily did the Expert Committee admit the difficulties which arose in determining the amount which could properly be ascribed to net revenue. The principle adopted was to add to the gross revenue derived from taxation, without taking into account the cost of collection, the amounts derived from what may be described as the trading departments of a State (railways, domains, postal service, &c.) from which administrative and running expenses were deducted.

The very long delay which would have been entailed by the collection of documents and evidence to establish the due proportion of local and general expenditure in the budgets of individual components of a Federal State, made it inevitable, under the circumstances, that this consideration should be ignored in the estimates of net revenue adopted by the Expert Committee. Several Members of the Fourth Committee have drawn attention to this omission as seriously impairing the justice of the actual indices adopted. There were, moreover, other considerations which might be advanced against the adoption of the particular year 1913, or, indeed, of any single year, for the determination of net revenue, such as the fact that the revenue depending on imports and exports in certain countries fluctuates very considerably according to the quality of the harvests. To meet the varying circumstances of a number of countries, an average of the revenue of a series of years would provide a more satisfactory basis.

Finally, the unstable character of exchanges, and the general disturbance of economic conditions at the present moment, could not be overlooked. Proposals exclusively based upon the indices adopted could not therefore be regarded as other than approximate and provisional, and the defects in the system, which was found to be the only practical one to adopt in view of the brief time available, are fully recognised by the Expert Committee in their report. They had, however, been able to make comparisons with certain other statistical data which confirmed their view that the results of their labours were reasonably accurate.

The Committee of Experts proceeded to classify all the countries Members of the League in accordance with a mean index number obtained from the two factors of population and revenue. It maintained the system adopted by the Universal Postal Union of grouping the States into categories—a system which incidentally allowed some account to be taken of other factors than the two mentioned above. It concluded, however, that the apportionment adopted for the Universal Postal Union, which is prescribed by Article VI. of the Covenant of the League of Nations as the basis of allocation of contributions, could not equitably be applied, and that it was indispensable to modify it in order to prevent injustice being done to the members. On the other hand, the rules of the Universal Postal Union made it clear that no alteration of its classification could be brought about in less than a year or eighteen months, while there was a probability that the alterations advocated by the Expert Committee would themselves prove an obstacle to acceptance of amendments by the Postal Union. The Expert Committee therefore submitted that the scheme which they recommended for the allocation of expenses could only be introduced by an amendment in Article VI. of the Covenant. Such an amendment would liberate the Assembly from the obligation of strictly applying the system of the Universal Postal Union.

The proposed new allocation will be found in Table II. annexed to the Report of the Expert Committee (A. 40, 1921). In view, however, of the difficulties and delays which an alteration of the Covenant must entail, the Expert Committee, in addition to this proposed allocation, which might hold good until further investigations enabled all the facts of the economic situation to be more precisely established, also submitted a transitional proposal which, it is believed, might be adopted within the present limits of the Covenant, provisionally maintaining the elemental indices of the Universal Postal Union, while at the same time relieving to a considerable extent the States actually included in too high a group.

The provisional allocation is set forth in Table III. annexed to the Report of the Expert Committee.

When a discussion of the proposals put forward in the Report of the Expert Committee was opened in the Fourth Committee, it at once became evident not only from the criticisms made orally, but also from a certain number of resolutions which were submitted, that a divergence of view existed as to whether the scheme of allocation set forth in Table II. or that in Table III., both of which were regarded as only provisional solutions, was the more acceptable. It was, however, decided that the general sense of the Committee should not be taken on this question until the legal aspect of the situation had been examined.

On the proposal of the Chairman it was decided to invite the First Committee, which has to deal with amendments to the Covenant, to join with the Fourth Committee in appointing a mixed Sub-Committee in which eminent juridical authorities should be included, to examine into, and report on, the legal position. On behalf of the Fourth Committee M.M. Adatci (Japan), Fernandes (Brazil), and Trygger (Sweden) were selected to act together with Sir Rennel Roud, the reporter to the Fourth Committee; on behalf of the First Committee, Captain Bruce (Australia), M.M. Noblemaire (France), Osusky (Czecho-Slovakia), with M. Zahle (Denmark) as reporter to the First Committee.

The Italian Delegate took the opportunity of announcing that, by the constitution of Italy, he was precluded from accepting any proposal involving an increased contribution without the sanction

of Parliament. He could not therefore assent to any augmentation in the amount allocated to Italy under the Covenant until after the ratification of Parliament had been obtained to an amendment of Article VI. Other delegates expressed similar views.

The question whether exchange, which at the present moment so seriously affects the economic situation of certain Members of the League, should be taken into account in determining the allocation of contributions was raised by the Delegate of Poland, who in this matter spoke also on behalf of Roumania, Czecho-Slovakia, and the Serb-Croat-Slovene State. The Fourth Committee decided, by a majority resolution, that for various reasons of a practical and technical character the consideration of exchange must be excluded.

It was further decided that the numerical order of the groups into which the countries Members of the League were divided, which had led to misapprehensions, should be discontinued, and that countries should be arranged in alphabetical order.

Other Members of the Fourth Committee supplemented the criticisms to which reference has already been made, such as the incompleteness or insufficiency of the indices adopted, by drawing attention to the absence of any special consideration for the countries which had suffered most heavily by the war, and to the somewhat arbitrary nature of the grouping system, which placed in the same category countries whose index figures differed widely, and whose economic situation was not comparable.

The Fourth Committee, however, realising the difficulties which had been encountered and the impossibility of arriving under the circumstances at more than an approximate adjustment, expressed their high appreciation of the remarkable achievement of the Expert Committee which had, within so brief a period, succeeded in presenting an unanimous report and submitting a proposal for the readjustment of contributions which, it was generally admitted, in its main outlines went far to correct the manifest injustices to the existing scale.

The joint Sub-Committee of the First and Fourth Committees after several meetings expressed the unanimous opinion that the actual scale of allocation in force could not be modified without amending the Covenant. The Transitional Table III. submitted in the Report of the Expert Committee was, in this respect, in precisely the same position as Table II., and did not offer a provisional solution within the limits of the Covenant.

The Sub-Committee accordingly suggested the following amendments to the Covenant:—

“ 1. The last paragraph of Article VI. of the Covenant shall be replaced by the following:—

“ The expenses of the League shall be borne by the Members of the League in the proportion decided by the Assembly.”

“ 2. Provisional Article (to be inserted as an Annex to the Covenant):—

“ The following allocation of the expenses of the League shall be applied as from 1st January 1922.” (Insert the Table to be adopted by Committee No. 4.)

The following considerations were added in the Report of the joint Sub-Committee:—

“ By the new paragraph of Article VI. of the Covenant the Sub-Committee adopts the proposal of the Committee dealing with amendments to the Covenant, according to which the Assembly would have the power to determine the scale simply by a Resolution and not by the procedure laid down in Article 26 of the Covenant. In accordance with Article 5 of the Covenant this Resolution will have to be accepted unanimously.

“ Nevertheless, as the Assembly will be unable to make use of its new faculty until the amendment shall have been ratified, as prescribed in Article 26 of the Covenant; and as, on the other hand, it is absolutely necessary that the inequity, already recognised by the First Assembly, of the present scale of the Universal Postal Union should be modified as soon as possible, the Sub-Committee was of opinion that Amendment of Article 6 of the Covenant should be supplemented by a provisional Article, possessing the same validity as the Covenant, and being subject to the stipulations prescribed in Article 26 of the Covenant. It is obvious that this temporary Article will only become effective during the course of the year 1922, but once it has become effective the scale to which it refers will become operative as from 1st January 1922, and consequently will cover the whole financial year 1922.

“ The Sub-Committee is of opinion that the matter can be arranged in the following manner between 1st January 1922 and the date when the provisional Article becomes effective. In January 1922, when the Director of the Financial Administration has to notify to the Members of the League the amounts which they are required to pay for the expenses of 1922, we shall most probably find that we are still under the existing scale of the Universal Postal Union, and the Director of the Financial Administration should therefore inform the Members of the League of the amount of their contribution according to this scale. But there is no reason why the Director should not also inform the Members of the amount of their contribution as calculated under the new scheme. Until the amendment becomes effective, Members of the League could therefore begin by paying either the amount due according to the Postal scale or that due according to the new scale.

“ The Sub-Committee considers that it should draw attention to Article 13, section (e) of Finances of the League. According to this Article the allocation for 1922 should be so arranged by the Assembly of 1921 that Members who contributed in 1921 more than they would have done if the new scheme had been in force should, in 1922, pay a correspondingly smaller amount than their quota and *vice versa*. If it is determined to retain this readjustment, a question which this Sub-Committee is not competent to consider, Article 13, section (e) of the Recommendation of December 1920 should be incorporated in the provisional Article, as it constitutes a modification of Article 6 of the Covenant, and it will be sufficient to substitute

“ It the allocation to be adopted by Committee No. IV. is the best solution obtainable for the time being, it will nevertheless be extremely desirable that M. Reveillaud's Committee eventually to decide upon satisfactory allocation as prescribed in the new final paragraph of Article 6 of the Covenant.”

The Fourth Committee, in considering the report of the joint Sub-Committee, dealt first with the concluding paragraph, and had no hesitation in adopting a resolution in the following sense :—

• “The Fourth Committee, recognising that the proposals of the Expert Committee are still susceptible of improvements and adjustments after a more exhaustive investigation of the data, recommends that this Committee, so ably presided over by M. Reveillaud, be reappointed by the Council to continue its labours, and, after taking account of the various factors not yet fully examined, to submit a further report indicating such modifications of the allocation provisionally accepted as it may deem equitable.”

It is anticipated that these further proposals will be ready for consideration by the Assembly not later than 1923.

The Fourth Committee next adopted the amendment to Article VI. of the Covenant (No. 1 above), proposed by the joint Sub-Committee, without modification, and recommended that a paragraph should be added to Article 4 of the Rules of procedure of the Assembly to the following effect :—

“No proposal for a modification of the allocation of expenses for the time being in force, shall be inserted in the agenda unless it has been communicated to Members at least four months before the date fixed for the opening of the session.”

The proposed provisional Article (No. 2 above) to be inserted as an annex to the Covenant, led to a long discussion. It was held by many members of the Fourth Committee that any new scale to be adopted could, for reasons which have been sufficiently indicated above, only be provisional and transitory and that there must be a long delay before even such a transitional arrangement could be ratified by the Powers and made effective, with consequent uncertainty and risk of serious disturbance in the financial arrangements of the League. Hence it was urged that it would be more practical to maintain the existing allocation of the Universal Postal Union, until a definitive, equitable adjustment had been submitted to, and adopted by, the Assembly. This view was held even by one or two representatives of Powers which stood to gain considerably by the immediate acceptance of a new allocation. Others, however, entertained no doubt that the risks involved were to be preferred to any prolongation of the existing system, which entailed such manifest injustices, and a division showed that a majority of the Fourth Committee were in favour of a new provisional allocation. Of the two alternatives presented by the Expert Committee Table II. was adopted in preference to Table III. by a large majority, subject to amendments to be considered later.

Having thus come to a decision, in principle, as to the new scale of allocation, the Fourth Committee proceeded to consider whether any alterations in Table II. were permissible. In particular, it discussed a proposal of the Polish Delegate that Poland should be included amongst the countries enumerated in the fourth, instead of the third class of Table II. The Committee decided, by a majority, to accept this proposal, taking into account the exceptional grounds on which it was based, especially the contention that Poland was formed out of parts of the three Empires which, in 1913, were in a condition of prosperity not obtaining when her existence as a separate State commenced, and that only an arbitrary estimate of revenue in 1913 had been possible.

The consequent reduction in the contribution of Poland will not make any appreciable difference in the allocations of the other Members of the League, having regard to the recent admission to membership of Estonia, Latvia and Lithuania. The eventual shares of these States had not been taken into consideration when Table II. was prepared by the Expert Committee.

Table II. as amended, showing (a) the units of contribution; (b) the percentages payable by the existing Members of the League, is given in an appendix.

The Fourth Committee then decided that all other proposals for modification of the scale of allocation and the memoranda submitted in support of them should be referred to the Expert Committee for investigation in connection with the revised scheme which it is to prepare. It will, of course, be open to this Committee to hear the representatives of such countries as desire to express their views, and to present any results which are ready in time, to the Assembly of 1922.

The Fourth Committee recognised the high standard of the memoranda submitted by several of its members, and agreed that both their criticisms and their constructive proposals deserved close study. Had time permitted, the Fourth Committee would have been glad to examine these memoranda in detail. It was forced to recognise, however, that any such examination at so late a period of the present session could have been only cursory and unsatisfactory.

For the sake of greater clearness, and in order that there may not appear to be any contradiction between the terms of Article VI. as amended and those of the provisional Article proposed by the joint Sub-Committee, the Fourth Committee agreed to add to the letter the following words :—

“And shall remain in force until a revised allocation has been accepted by the Assembly.”

The question of the date to be inserted in the provisional Article brought under review the issue whether the new allocation was to be retroactive in effect, so as to cover the year 1921. A recommendation in favour of such retroactivity had been adopted in the last session of the Assembly in 1920. This question was very carefully considered and argued in the Fourth Committee, and a certain number of members urgently advocated a readjustment in the sense of that recommendation. They represented that not only they, but their Governments also, regarded the 1920 recommendation as in the nature of a pledge. After a long discussion a large majority of the Fourth Committee declared itself against upholding the recommendation. They contended that at the time of its adoption there was a hope that it would be possible to apply a revised scale for 1922, without amending the Covenant, by arrangement with the Universal Postal Union. They further urged that insistence upon retroactivity would prejudice not only the prospects of acceptance of the provisional Article in the Assembly, but above all the prospects of approval of the new allocation by certain of the Parliaments, and ratification by the respective Governments. Failure in either case would entail, as the only alternative, the maintenance of the old allocation under the Universal Postal Union.

It may be desirable to add a word or two, as to the position of States which may be admitted to membership of the League in future years. The units of expenditure payable by such members

cannot be determined under the wording of the provisional Article referred to above. It is suggested that the difficulty would best be met by a specific decision of the Assembly after reference to the appropriate Committees at the time when any new application for membership comes before it.

The task imposed upon the Fourth Committee in considering the many aspects of a question which is by its nature contentious, has been no light one, and in presenting recommendations which appear to be the most practical under present conditions, it must once more express appreciation of the excellent work accomplished in so short a time by M. Reveillaud's Committee, on which the proposed resolutions are based. Every assistance has been afforded by the members of that Committee in explaining the principles which have guided their action, and in elucidating the various points which have arisen during the progress of discussions. The Fourth Committee have every confidence that a resumption of the investigation, in the light of further data which may become available, and of the recommendations advanced by various members, will lead to even better results in the future.

In conclusion the Fourth Committee has the honour to propose to the Assembly the following Resolutions which have been adopted, either unanimously or by a majority :—

I. That the last paragraph of Article VI. of the Covenant should be replaced by the following paragraph :—

“The expenses of the League shall be borne by the members of the League in the proportion decided by the Assembly.”

II. That the following provisional Article shall be inserted as an annex to the Covenant :—

“The following allocation of the expenses of the League shall be applied as from 1st January 1922, and shall remain in force until a revised allocation has been accepted by the Assembly :—

States	Units Payable.	States.	Units Payable.
South Africa - - -	15	Italy - - -	65
Albania - - -	2	Japan - - -	65
Argentina - - -	35	Latvia - - -	5
Australia - - -	15	Liberia - - -	2
Austria - - -	2	Lithuania - - -	5
Belgium - - -	15	Luxemburg - - -	2
Bolivia - - -	5	Nicaragua - - -	2
Brazil - - -	35	Norway - - -	10
British Empire - - -	90	New Zealand - - -	10
Bulgaria - - -	10	Panama - - -	2
Canada - - -	35	Paraguay - - -	2
Chile - - -	15	Netherlands - - -	15
China - - -	65	Peru - - -	10
Colombia - - -	10	Persia - - -	10
Costa Rica - - -	2	Poland - - -	15
Cuba - - -	10	Portugal - - -	10
Denmark - - -	10	Roumania - - -	35
Spain - - -	35	Salvador - - -	2
Estonia - - -	5	Serb-Croat-Slovene State - - -	35
Finland - - -	5	Siam - - -	10
France - - -	90	Sweden - - -	15
Greece - - -	10	Switzerland - - -	10
Guatemala - - -	2	Czecho-Slovakia - - -	35
Haiti - - -	5	Uruguay - - -	10
Honduras - - -	2	Venezuela - - -	5
India - - -	65		

III. That the Assembly, recognising that the proposals of the Expert Committee (A. 40, 1921) are still susceptible of improvements and adjustments after a more exhaustive investigation of the data, recommends that this Committee, so ably presided over by M. Reveillaud, be re-appointed by the Council to continue its labours and, after taking account of the various factors not yet fully examined, to submit a further report indicating such modifications of the allocation provisionally accepted as it may deem equitable.

IV. That the following paragraph should be added to Article IV. of the Rules of Procedure of the Assembly :—

“No proposal for a modification of the allocation of expenses for the time being in force shall be inserted in the Agenda unless it has been communicated to Members at least four months before the date fixed for the opening of the Session.”

SUPPLEMENTARY MEMORANDUM BY THE RAPPOREUR.

The *rappporteur* of the Fourth Committee on the subject of Allocation of Expenses proposes, in submitting the Committee's report to the Assembly, to discuss the following Resolutions :—

(1) (to be substituted for Resolution 2 in the report of the Fourth Committee, page 7 of A. 179, 1921) :

(a) That the following paragraph shall be added to Article 6 of the Covenant as amended :—

“The allocation of the expenses of the League set out on Annex 3 shall be applied as from 1st January 1922 until 31st December 1923, unless in the meantime a revised allocation has come into force after adoption by the Assembly.”

(b) That the following shall become Annex 3 of the Covenant :—

Allocation of the Expenses of the League.

(As in Resolution II. in the Report of the Fourth Committee.)

(2) (Additional Resolution.) "The Assembly is of the opinion that, when a revised scheme of allocation of the expenses of the League has been adopted after consideration of the fresh recommendations of the Expert Committee, it would be equitable that Members of the League which may, with effect from 1st January 1921 and up to the year for which the revised scheme is adopted, have paid more than they are called upon to pay under the operation of such scheme, should be entitled to a refund of the excess amount paid.

"Such refund shall be made as surplus funds accrue and without prejudice to the maintenance of the working capital account of the League at its full normal figure."

TABLES PREPARED BY THE INDIAN DELEGATION.

Subscriptions payable by each Member of the League under three schemes, on an assumed Budget of 25,000,000 gold francs.¹

(The figures in brackets indicate the percentage of the total Budget paid by each State.)

	I Allocation based on existing classification (Postal Union).		II. Allocation Committee's Definite Proposals.		III Allocation Committee's suggested temporary allocation.	
	Gold Francs.		Gold Francs.		Gold Francs.	
British Empire :—						
United Kingdom	1,225,490	(4·9)	2,291,242	(9·16)	1,570,352	(6·3)
Australia	1,225,490	(4·9)	381,873	(1·53)	628,142	(2·5)
Canada	1,225,490	(4·9)	891,038	(3·56)	942,211	(3·8)
India	1,225,490	(4·9)	1,654,786	(6·6)	1,256,281	(5·0)
New Zealand	147,059	(0·6)	254,583	(1·02)	314,070	(1·3)
South Africa	1,225,490	(4·9)	381,873	(1·53)	628,142	(2·5)
Total, British Empire	6,274,509	(25·1)	5,855,395	(23·40)	5,339,198	(21·4)
Albania	49,020	(0·196)	50,917	(0·20)	62,814	(0·25)
Argentina	245,098	(0·98)	891,038	(3·56)	942,211	(3·8)
Austria	245,098	(0·98)	50,917	(0·20)	62,814	(0·25)
Belgium	735,294	(2·9)	381,873	(1·53)	628,142	(2·5)
Bolivia	147,059	(0·6)	127,291	(0·51)	188,442	(0·75)
Brazil	735,294	(2·9)	891,038	(3·56)	942,211	(3·8)
Bulgaria	245,098	(0·98)	254,583	(1·02)	314,070	(1·3)
Chile	245,098	(0·98)	381,873	(1·53)	628,142	(2·5)
China	1,225,490	(4·9)	1,654,786	(6·6)	1,256,281	(5·0)
Colombia	245,098	(0·98)	254,583	(1·02)	314,070	(1·3)
Costa Rica	147,059	(0·6)	50,917	(0·20)	62,814	(0·25)
Cuba	147,059	(0·6)	254,583	(1·02)	314,070	(1·3)
Czechoslovakia	735,294	(2·9)	891,038	(3·56)	942,211	(3·8)
Denmark	490,196	(1·96)	254,583	(1·02)	314,070	(1·3)
Finland	490,196	(1·96)	127,291	(0·51)	188,442	(0·75)
France	1,225,490	(4·9)	2,291,242	(9·16)	1,570,352	(6·3)
Greece	245,098	(0·98)	254,583	(1·02)	314,070	(1·3)
Guatemala	147,059	(0·6)	50,917	(0·20)	62,814	(0·25)
Haiti	147,059	(0·6)	127,291	(0·51)	188,442	(0·75)
Honduras	147,059	(0·6)	50,917	(0·20)	62,814	(0·25)
Italy	1,225,490	(4·9)	1,654,786	(6·6)	1,256,281	(5·0)
Japan	1,225,490	(4·9)	1,654,786	(6·6)	1,256,281	(5·0)
Lithuania	49,020	(0·196)	50,917	(0·20)	62,814	(0·25)
Luxembourg	147,059	(0·6)	50,917	(0·20)	62,814	(0·25)
Netherlands	735,294	(2·9)	381,873	(1·53)	628,142	(2·5)
Nicaragua	147,059	(0·6)	50,917	(0·20)	62,814	(0·25)
Norway	490,196	(1·96)	254,583	(1·02)	314,070	(1·3)
Panama	147,059	(0·6)	50,917	(0·20)	62,814	(0·25)
Paraguay	147,059	(0·6)	50,917	(0·20)	62,814	(0·25)
Persia	147,059	(0·6)	254,583	(1·02)	314,070	(1·3)
Peru	245,098	(0·98)	254,583	(1·02)	314,070	(1·3)
Poland	1,225,490	(4·9)	891,038	(3·56)	942,211	(3·8)
Portugal	490,196	(1·96)	254,583	(1·02)	314,070	(1·3)
Roumania	735,294	(2·9)	891,038	(3·56)	942,211	(3·8)
Salvador	147,059	(0·6)	50,917	(0·20)	62,814	(0·25)
Serb-Croat-Slovene	490,196	(1·96)	891,038	(3·56)	942,211	(3·8)
Siam	147,059	(0·6)	254,583	(1·02)	314,070	(1·3)
Spain	980,393	(3·9)	891,038	(3·56)	942,211	(3·8)
Sweden	735,294	(2·9)	381,873	(1·53)	628,142	(2·5)
Switzerland	735,294	(2·9)	254,583	(1·02)	314,070	(1·3)
Uruguay	147,059	(0·6)	254,583	(1·02)	314,070	(1·3)
Venezuela	147,059	(0·6)	127,291	(0·51)	188,442	(0·75)
	25,000,000	(100)	25,000,000	(100)	25,000,000	(100)

¹ This table does not include the new States, Estonia, Latvia and Lithuania, admitted to the League during the 1921 session of the Assembly, nor does column II allow for the decision to place Poland in the fourth category instead of the third.

Actual Subscriptions payable by certain States for the year 1922 on the Budget of 20,873,945 gold francs approved by the Assembly.

	Postal Union Scheme (excluding Estonia, Latvia and Lithuania) (510 units)		Allocation adopted by the Assembly based on Allocation Committee's definite scheme (including Estonia, Latvia and Lithuania) (977 units)	
	Units.	Amount.	Units.	Amount.
British Empire :				
United Kingdom - - - - -	25	1,023,233	90	1,922,885
South Africa - - - - -	25	1,023,233	15	320,481
Australia - - - - -	25	1,023,233	15	320,481
Canada - - - - -	25	1,023,233	35	747,789
India - - - - -	25	1,023,233	65	1,388,751
New Zealand - - - - -	3	122,786	10	213,654
Total British Empire - - - - -	128	5,238,951	230	4,914,042
China - - - - -	25	1,023,233	65	1,388,751
France - - - - -	25	1,023,233	90	1,922,886
Italy - - - - -	25	1,023,233	65	1,388,751
Japan - - - - -	25	1,023,233	65	1,388,751
Poland - - - - -	25	1,023,233	15	320,481
Spain - - - - -	20	818,586	35	747,789
Belgium - - - - -	15	613,940	15	320,481
Brazil - - - - -	15	613,940	35	747,789
Netherlands - - - - -	15	613,940	15	320,481
Roumania - - - - -	15	613,940	35	747,789
Sweden - - - - -	15	613,940	15	320,481
Switzerland - - - - -	15	613,940	10	213,654
Czecho-Slovakia - - - - -	15	613,940	35	747,789
Argentine - - - - -	5	204,646	35	747,789
Serb-Croat-Slovene - - - - -	10	409,293	35	747,789
Chile - - - - -	5	204,646	15	320,481

ANNEX 6.—Original Budget of the League (only the main heads are reprinted).

STATEMENT OF INCOME AND EXPENDITURE FOR 1922.

Expenditure.		Income.	
	Gold francs.		Gold francs.
A. League Expenditure.		1. Ordinary contribution towards	
1. Assembly and Council Meetings -	1,000,000	normal upkeep - - - - -	13,451,000
2. General Services of the Secretariat -	6,141,000	2. Ordinary contribution towards up-	
3. Special Organisations of League -	4,810,000	keep of Labour Organisation -	8,245,046
4. Capital Expenditure -	1,572,800	3. Extraordinary contribution to-	
5. Working Capital replacement -	500,000	wards capital account - - -	1,572,800
6. Permanent Court of International		4. Extraordinary contribution to re-	
Justice - - - - -	1,500,000	place working capital - - -	500,000
B. Labour Organisation			
7. Estimates for 1922 - - - - -	8,245,046		
	<u>23,768,846</u>		<u>23,768,846</u>

SUMMARY OF CHAPTERS.

	1922.	1921.
	Gold francs.	
Chapter I. Assembly and Council Sessions - - - - -	1,000,000	750,000
" II. General Services of the Secretariat - - - - -	6,141,000	4,970,000
" III. Special Organisations of the League :-		
(a) Continuing or Permanent - - - - -	3,935,000	2,955,000
(b) Temporary - - - - -	375,000	525,000
(c) Unforeseen - - - - -	500,000	500,000
" IV. Capital Expenditure - - - - -	1,572,800	2,000,000
" V. Working Capital Fund - - - - -	500,000	1,890,000
" VI. Permanent Court of International Justice - - - - -	1,500,000	650,000
" VII. International Labour Organisation - - - - -	8,245,046	7,010,000
Total for 1922 - - - - -	<u>23,768,846</u>	<u>21,250,000</u>
Increase of 1922 over 1921 - - - - -	-	2,518,846
Percentage of increase, 11½ per cent.]		

CHAPTER I.—ASSEMBLY AND COUNCIL SESSIONS.

	Gold francs.	
1. Session of the Assembly - - - - -	800,000	750,000
2. Sessions of the Council - - - - -	200,000	-
	<u>1,000,000</u>	<u>750,000</u>

	1922.	1921.
CHAPTER II.—GENERAL SERVICES OF THE SECRETARIAT.		
3. Salaries, Wages and Allowances :		Gold francs.
(a) Secretariat at Geneva	4,000,000	3,255,000
(b) House staff at Geneva	220,000	200,000
(c) Branch offices personnel	120,000	35,000
4. Travelling expenses of officials of the League :		
(a) Removal expenses	50,000	25,000
(b) Travelling expenses and subsistence allowances occasioned in connection with general services	150,000	150,000
5. Frais de représentation	210,000	200,000
6. Property Account. Maintenance :		
(a) Headquarters at Geneva	185,000	219,420
(b) Branch offices	165,000	65,000
(c) House allowance for the Secretary-General at Geneva	21,000	—
<i>Installation at permanent seat of the League (non-recurring)</i>	—	25,000
7. Auditors' travelling and subsistence expenses	5,000	5,000
8. Publication Department (exclusive of salaries)	415,000	250,000
9. General Office Expenses	540,000	400,000
10. Interest charges	50,000	75,000
<i>Enquiry as to Organisation of the Secretariat</i>	—	10,000
11. Unforeseen expenses of the Secretariat	110,000	55,580
	6,241,000	4,970,000
Appropriations in aid :—		Gold francs.
(a) Sale of Publications (<i>see</i> item 8)	35,000	
(b) Interest earned (<i>see</i> item 10)	50,000	
(c) Miscellaneous petty receipts	15,000	100,000
Net total	6,141,000	

CHAPTER III.—SPECIAL ORGANISATIONS OF THE LEAGUE.

(a) <i>Continuing or Permanent</i> —(3,935,000 gold francs).		
12. Administrative Commissions and minorities' questions	200,000	175,000
13. Economic and Financial	2,310,000	1,000,000
14. Mandates	225,000	225,000
15. Transit	500,000	670,000
16. Permanent Advisory Commission for Military, Naval and Air questions	100,000	285,000
17. International Health Organisation	400,000	400,000
18. Supervision of the Opium Traffic	100,000	50,000
19. Social questions: Traffic in Women and Children, &c.	100,000	150,000
(b) <i>Temporary</i> (375,000 gold francs).		
20. Temporary Commission for the reduction of armaments	125,000	100,000
<i>Central Bureau for the Regulation of Arms Traffic</i>	—	50,000
21. International Blockade Committee	75,000	75,000
22. Repatriation of Prisoners of War	25,000	150,000
23. Commission of Enquiry regarding Deportation of Women and Children in Armenia, &c.	50,000	50,000
24. International Bureaux	100,000	100,000
(c) <i>Unforeseen</i> (500,000 gold francs).		
25. Unforeseen expenditure such as special Commissions of Enquiry, &c. (subject to special vote of Council)	500,000	500,000

CHAPTER IV.—CAPITAL EXPENDITURE.

5·50 Swiss francs = \$1 = 5 1826 gold francs.)		
26. Fourth payment on account of balance of purchase price of Hotel National	500,000	500,000
27. Interest estimated at 5½ per cent. on 4,000,000 Swiss francs for six months	110,000	175,000
28. Fifth payment on account of balance of purchase price of Hotel National	500,000	500,000
29. Interest estimated at 5½ per cent. on 3,500,000 Swiss francs for six months	96,250	152,500
30. Payments to maintain the options on adjoining properties :—		
(a) "Villa" Property, payable 1st May	5,000	5,000
"Villa" Property, payable 1st November	5,000	5,000
(b) "Armleder" Property, payable 1st May	8,333	8,333
"Armleder" Property, payable 1st November	8,334	8,334
31. Additions to property of a permanent character	25,000	42,477
32. Furniture and fittings (additional equipment)	110,000	211,100
33. Library Installation :—		
(a) Permanent shelving and equipment	125,000	200,000
(b) Purchase of books, periodicals, maps, &c.	125,000	211,000
<i>Printing Office</i>	—	250,000
34. Wireless receiving installation	—	—
Swiss francs	2,226,250	2,226,250
Gold francs	11,131,250	11,131,250

		1922	1921.
		Gold Francs.	
CHAPTER V.			
35. Working Capital Fund :—			
Balance required for working capital to replace advances made to the following : (amounts estimated as on 31st December 1921)		500,000	1,890,000
(a) Aaland Islands Enquiry	100,000		
(b) Polish-Lithuanian dispute	200,000		
(c) Free City of Danzig	175,000		
(d) Anti-Typhus Campaign	25,000		
	500,000		
CHAPTER VI.			
36. Permanent Court of International Justice		1,500,000	650,000
CHAPTER VII.			
37. International Labour Organisation		8,245,046	7,010,000

ANNEX 7 :—Original Budget of the Labour Organisation for 1922.

SUMS CREDITED TO THE INTERNATIONAL LABOUR ORGANISATION OVER AND ABOVE THE SUM VOTED FOR ITS ESTIMATED EXPENDITURE IN 1921.

	Gold Francs.
Unexpended balance from year 1920, 33,889l. (20 gold francs per l.)	677,780
Contribution of Germany for 1920, 2,975,256 marks	242,860
Contribution of Germany for 1921	343,750
Estimated subscriptions for Office publications for 1921	100,000
	1,364,390

In regard to the disposal of these sums, the Governing Body, at its meeting of 14th April 1921, approved the following recommendation contained in the report of their Finance Committee :

"It will be a matter for the Assembly of the League of Nations to determine how these sums should be treated ; whether they should go in reduction of the contributions required in respect of the cost of the Office during the current year, or whether they should be brought into account in fixing the Budget for 1922. It is suggested that these amounts should be shown in a note appended to the Estimate for 1922, and the view of the Governing Body on the question indicated. The Finance Committee think the best course is to appropriate them in reduction of the expenditure for 1922."

ESTIMATE FOR 1922.

Approved by the Governing Body of the International Labour Office at its Seventh Session, held at Geneva, 12th-14th April 1921.

GENERAL SUMMARY.

1921.	Subheads.	1922.
Swiss Francs.		Swiss Francs.
3,837,500	A.—Salaries	4,698,462
397,500	B.—Travelling and Miscellaneous	382,500
1,950,000	C.—Establishment and Office expenses	1,430,000
568,750	D.—Correspondents and collection of Information	584,000
837,500	E.—Conference and Enquiries	680,000
480,000	F.—Non-recurring Expenditure	190,000
178,750	G.—Emergency Expenditure	235,038
500,000	Unappropriated Balance	500,000
12,500	League of Nations Enquiry	—
8,762,500		8,750,000

SUBHEAD A.—SALARIES.

Posts.	Subdivisions.		Gold Francs (\$ at 6·47825.)	
1921. ¹	1922.		1921.	1922.
1	1	I Director	72,000	72,000
34	34	II Cabinet	440,980	434,440
1	1	III Deputy-Director	52,000	52,000
3	4	IV Deputy-Director's Secretariat	29,920	40,320
122	142	V Central Services	712,050	840,000
29	28	VI Diplomatic Division	362,200	478,080
78	97	VII Scientific Division	801,150	1,102,010
40	36	VIII Technical Services	539,920	479,920
308	353		3,010,920	3,498,770
		Increments and promotion	—	140,000
		Temporary assistance, overtime and emergency	59,080	120,000
			3,070,000	3,758,770

In Swiss Francs = 3,837,500 4,698,462

¹ These figures include all posts budgeted for, whether for whole or part of year.

SUBHEAD B.—TRAVELLING AND MISCELLANEOUS.			
1921.	1922.		
Swiss Francs.	Swiss Francs.		
Sub-divisions.			
187,500	1. Staff: Travelling expenses and allowances - - - - -	187,500	
75,000	2. Governing Body: Travelling expenses and allowances - - - - -	75,000	
	3. Frais de représentation:		
60,000	Director - - - - -	60,000	
25,000	Deputy-Director - - - - -	25,000	
25,000	Chairman of Governing Body (including honorarium, office and secretarial expenses) - - - - -	25,000	
25,000	4. Cantonal and communal subscriptions and other miscellaneous expenses - - - - -	10,000	
<u>397,500</u>		<u>382,500</u>	
SUBHEAD C.—ESTABLISHMENT AND OFFICE EXPENSES.			
120,000	1. Rent, Heat and Lighting - - - - -	110,000	
65,000	2. Maintenance and Insurance - - - - -	50,000	
250,000	3. Stationery, &c. - - - - -	250,000	
231,250	4. Post, Telegraph and Telephone - - - - -	200,000	
150,000	5. Library (purchases and subscriptions) - - - - -	100,000	
150,000	6. Printing: Official Bulletin (three languages) - - - - -	150,000	
100,000	7. Printing: Studies and Reports - - - - -	80,000	
240,000	Printing: Monthly Review - - - - -	150,000	
30,000	Printing: Legislative Series - - - - -	30,000	
150,000	Printing: Special Publications - - - - -	120,000	
200,000	General Printing: Circulars, questionnaires, reports - - - - -	150,000	
150,000	8. Printing Daily Intelligence - - - - -	150,000	
50,000	9. Transportation and Welfare arrangements for staff - - - - -	30,000	
63,750	10. Unforeseen and incidental expenses - - - - -	60,000	
<u>1,950,000</u>		<u>1,630,000</u>	
	Appropriation in aid of sale of publications and advertisements - - - - -	200,000	
	Net Total - - - - -	<u>1,430,000</u>	
SUBHEAD D.—CORRESPONDENTS' OFFICES.			
60,000	1. Paris Office (150,000 Fr. francs) - - - - -	75,000	
132,000	2. London Office (6,000l.) - - - - -	144,000	
186,000	3. Washington Office (30,000 dollars) - - - - -	165,000	
10,000	4. Rome Office (40,000 lire) - - - - -	10,000	
20,000	5. Berlin Office (250,000 marks) - - - - -	30,000	
160,750	6. Correspondents and collection of outside information - - - - -	160,000	
<u>568,750</u>		<u>584,000</u>	
Rate of Conversion for Budget of 1921.		Rate of Conversion for Budget of 1922.	
40	Swiss francs = 100 French francs - - - - -	= 50	Swiss francs.
22	" " = 1l. - - - - -	= 24	" "
6.20	" " = 1 dollar (American) - - - - -	= 5.50	" "
25	" " = 100 Italian lire - - - - -	= 25	" "
8	" " = 100 marks (German) - - - - -	= 12	" "
SUBHEAD E.—CONFERENCES AND ENQUIRIES.			
1921.	1922.		
Swiss Francs.	Swiss Francs.		
Sub-divisions.			
250,000	1. Annual Conferences (hire, preparation of hall, reporting and publication of provisional and final records) - - - - -	250,000	
150,000	2. Enquiries and investigations - - - - -	250,000	
275,000	3. Commissions - - - - -	250,000	
100,000	Printing, stationery, postage, &c., for Commissions - - - - -	50,000	
62,500	4. Emergency expenditure (including temporary staff for Conferences) - - - - -	50,000	
<u>837,500</u>		<u>680,000</u>	
SUBHEAD F.—NON-RECURRING EXPENDITURE.			
260,000	1. Office, repairs to buildings - - - - -	100,000	
150,000	2. Office equipment and additional furniture - - - - -	60,000	
70,000	3. Typing and calculating machines, duplicators, dictionaries, &c. - - - - -	30,000	
	4. Construction of temporary accommodation or enlargement of office building - - - - -	-	
<u>480,000</u>			
SUBHEAD G.—EMERGENCY EXPENDITURE.			
178,750	Emergency expenditure - - - - -		

ANNEX 8 :—*Report of Committee No. IV. on the Financial Administration of the League.*

I.—GENERAL OBSERVATIONS.

The early period of the life of the League was a difficult time from the point of view of finance.

Difficulties arose, on the one hand, from the fact that the League was suddenly confronted by problems which increased every day in number and in importance and which called for expenditure on the part of the League, and on the other hand, from the fact that a system of financial regulations was almost completely lacking. One of the few provisions existing on this matter—that contained in the last paragraph of Article 6 of the Covenant, dealing with the allocation of the expenses of the League of Nations—is, moreover, very unsatisfactory.

It appears that the rapid increase in expenditure came to an end at the close of the year 1920. Again, it is unquestionable that the very severe strictures by the First Assembly to which the rapid growth of the expenditure of the League had given rise did much to check the tendency which had been criticised. The discussions in the Fourth Committee have, moreover, very clearly again emphasised the earnest desire of the Financial Committee of the Assembly to limit, as far as possible, the expenditure of the League of Nations, and the Fourth Committee is glad to report that the budget, as it is submitted to the Assembly, amounts to only 20,758,945 gold francs, whilst the budget for 1921 amounted to 21,250,000 gold francs.

The other cause of the difficulties was found in the almost complete absence of financial control. Before the meeting of the First Assembly, the Council had already adopted measures to remedy this state of affairs, and the First Assembly, with the same object in view, adopted the Recommendation of 17th December 1920, containing a provisional code of rules for the administration of the finances of the League of Nations. This Recommendation contains provisions for the preparation and the definite adoption by the Assembly of the General Budget of the League of Nations, which includes the Budget of the International Labour Organisation, provisions regarding the procedure to be followed when incurring unforeseen expenditure, regarding transfers from one appropriation to another, regarding the working capital fund, regarding the auditing of the accounts and receipts, and their adoption by the Assembly, and, finally, regarding the allocation of expenditure as between the Members of the League of Nations.

II.—AMENDMENT OF THE RECOMMENDATION OF THE ASSEMBLY DATED 17TH DECEMBER 1920, ON THE QUESTION OF THE FINANCES OF THE LEAGUE OF NATIONS.

The Recommendation of 17th December 1920 laid the requisite legal foundation for a practical and satisfactory administration of the finances of the League of Nations. While it is true that it covers the whole ground of administration, it constitutes, however, only a first step towards a final settlement of a matter which is of such importance for the life of the League. The First Assembly, therefore, in the Recommendation itself, requested the Council to draw up, for the annual session of the Assembly in 1921, if experience should prove it advisable, a Resolution to strengthen and improve the financial administration. It is evident from the memorandum of the Secretary-General and from the Resolution adopted by the Council on 30th August 1921, that the Council considered that it would not be expedient to draw up final regulations so long as the Assembly had not expressed its opinion in the portions of the Report of the Commission of Experts which dealt with this administration.

The Fourth Committee was completely in agreement with this view, but, as the Assembly has now formulated its opinions on the remarkable work of the Commission of Experts, it is of opinion that the Council should be requested to enter at once on the preparation of the Draft Resolution, in order that it may be submitted to the Members of the League at a very early date, so as to enable the Third Assembly to adopt a final Resolution.

Article 6 of the Recommendation of 17th December 1920 was to the effect that extraordinary expenditure could only be incurred under the last item of Chapter 2 (Article 27 of the Budget for 1921) by virtue of a special resolution of the Council. As regards the Budget for 1921, a similar permission must be obtained for the unforeseen expenditure referred to in Article 25.

While the Recommendation of 17th December 1920 does not authorise the transfer of credits from one item of the budget to an item of another chapter, it provides, for the year 1921 alone, the possibility of transfer from one item of the Budget to another of the same chapter. In accordance with the memorandum of the Secretary-General and the Resolution adopted by the Council on 30th August 1921, even the transfer of credits from one chapter to another might perhaps be permitted, but the Council merely indicates to the Assembly the expediency of continuing, in 1922 also, transfers of credits from one item to another of the same chapter with the special permission, of course, of the Council. The Fourth Committee agreed to adopt this Recommendation.

The financial paragraphs of the Report by the Commission of Experts (paras. 56-71, 88-91, and 126-129) have already been dealt with in M. Noblemaire's Report on the whole work of the Commission of Experts. If the present Report returns to this subject—as briefly as possible—it is because the financial proposals of the Commission of Experts as they were carried by the Assembly entail a certain number of modifications of the Recommendation of 17th December 1920, and must therefore also appear in the present Report.

The Fourth Committee, in the first place, adopts the idea of the Commission of Experts that the Council should be advised to appoint a Commission of Control which should be entirely independent of the body responsible for the measures involving expenditure, and which should lay before the Assembly its opinion on the Draft Budget (paras. 57-59). It is of course understood that the appointment of the Commission of Control by the Council does not in any way prejudice the Assembly's right to nominate a similar Committee.

On the other hand, the Committee was of the opinion that it would not be necessary to attach to the Commission of Control a special salaried financial expert, in addition to the Appropriation Officer, whose duty it is to make sure, before any expense is incurred, that there is proper budget

provision for it, and in addition also to the auditors mentioned in Articles 8–10 of the Assembly's Recommendation referred to above, whose report will in future be submitted to the Commission of Control. The Committee decided to retain the Appropriation Officer (para. 89) and to place him under the orders of the Commission of Control. It recommended, however, that one at least of the three or five members of the Commission should be a financial expert.

The Fourth Committee proposes that the calendar year which had been adopted as the financial year by the First Assembly should continue to be the financial year (paras. 63–65). It concurred in the proposals regarding submission of the Budget (paras. 66–70), which, moreover, had already been to a large extent applied in the General Draft Budget for 1922. The Committee also recommends the suggestions of the Committee of Experts contained in paras. 88, 90 and 91, relating to the organisation of the Financial Director's Section.

With regard to the Working Capital Fund (para. 71), which already occasioned long discussion in the First Assembly, the Committee adopts the proposals contained in para. 71. It is of opinion that the maximum amount of the Working Capital Fund might be fixed at 5,000,000 gold francs. Moreover, sums could not be paid into the Fund without the sanction of the Assembly. It follows that the excess of receipts over expenditure, if any, at the end of a financial year, must be carried to the account of the following year. The International Labour Office may, if necessary, obtain assistance, as it has done in the past, from the Working Capital Fund proportionately to its Budget, but it is not to be allowed to have a special fund at its disposal.

Recoverable advances on account of the Working Capital Fund made during the last financial period shall be shown in the statements to be attached to the Draft Budgets in accordance with Article 2 of the Recommendation of 17th December 1920, regarding the administration of the finances of the League of Nations. Finally, the final regulation of the financial administration of the League shall contain definite provisions regarding the administration of the Working Capital Fund.

As regards the financial control of the International Labour Organisation, the Recommendation of 17th December 1920 had already provided for the same guarantees as in connection with the other organisations of the League (paras. 126–129 of the Report by the Commission of Experts are based on similar principles). They recommend more especially that the Commission of Control, to which a certain number of delegates of the Governing Body of the International Labour Office could submit the estimates for that organisation, should have the same powers in this connection as over the finances of the other organisations of the League. The fact that the Assembly definitely votes the sum total of the League's Budget has led the Fourth Committee also to adopt the idea that the Governing Body of the International Labour Office should be empowered to make a statement regarding its Budget. The Fourth Committee suggests that the Governing Body should be empowered for this purpose to appoint a representative who might attend in an advisory capacity any meetings of the Assembly dealing with the Budget. It is, of course, understood that such a representative could not rise to speak unless invited to do so by the President.

The question of the allocation of the expenses of the League is dealt with in a special report. Moreover, a certain number of amendments to the Covenant concerning the finances of the League have been studied by the First Commission.

In accordance with the above remarks, the Fourth Committee has the honour to submit the following Recommendation to the Assembly :—

Recommendation

The Assembly of the League of Nations requests the Council to continue to regulate the finances of the League of Nations in the spirit of the principles contained in the Assembly Recommendation of 17th December 1920, as modified by the following Articles, and by the recommendations laid down in the Report of the Fourth Committee on the administration of the finances of the League of Nations. Further, the Assembly requests the Council to prepare for the annual meeting of the Assembly of 1922 a final resolution regarding the administration of the finances of the League of Nations.

Article 1.—The Assembly recommends the Council to appoint a Commission of Control of three or five members, one of whom at least shall be a financial expert. The Council shall select the Commission from amongst the Members of the League of Nations in such a way as to include Members of the League which are not represented on the Council.

Draft Budgets and other documents contemplated in Articles 1 and 2 of the Recommendation adopted on 17th December 1920 shall be submitted to the Commission of Control before being submitted to the Council. The Draft Budget of the International Labour Organisation shall be laid before the Commission of Control by four members of the Governing Body, two of whom might be selected from the delegates of Governments, one from employers' delegates and one from the workers' delegates. The Governing Body shall decide whether the Director or Deputy Director of the International Labour Office shall be added to the Delegation.

A representative of the Governing Body shall be authorised to attend in an advisory capacity any meetings of the Assembly that deal with the Budget. It is, of course, understood that the representative in question cannot rise to speak except on the invitation of the President.

The appropriation officers, whether members of the Secretariat or of the International Labour Office, shall be responsible to the Commission of Control.

Article 2.—Article 6 shall read as follows :—

“Expenditure can be incurred only by virtue of a warrant signed by the Secretary-General or one of his deputies specially authorised thereto. This warrant shall mention the fiscal period and the budget item to which the expenditure is to be charged, and cannot be given until the official appointed for the purpose (Appropriation Officer) has certified that the item of expenditure is represented in the Budget by a corresponding credit. Unforeseen expenditure, however, can only be incurred under Article 25 of the General Budget for 1922 if it is authorised by a special resolution of the Council, which must be immediately communicated to the Members of the League of Nations. During the year 1922 transfers from one item to another of the same chapter can be effected by virtue

of a special resolution of the Council, which must be immediately communicated to all the Members of the League of Nations."

Article 3.—The following sentence shall be added to Article 7 :—

"Additions to this fund, which may not exceed 5,000,000 gold francs, cannot be made except with the approval of the Assembly. If the fund exceeds 5,000,000 gold francs, the excess shall be carried forward to the credit of the next financial period. The International Labour Organisation may continue to obtain, if necessary, assistance from the Working Capital Fund proportionately to its budget."

Article 4.—Insert in Article 9, after the word "auditors," "and to the Commission of Control."

Article 5.—Article 10 shall read as follows :—

"Three months before the annual session of the Assembly, the Commission of Control and the auditors shall present to the Council, or in the case of the International Labour Organisation, to the Governing Body, a Joint Report on the correctness, &c."

III.—PARTICIPATION IN THE EXPENSES OF THE TECHNICAL ORGANISATIONS OF THE LEAGUE BY STATES WHICH PARTICIPATE IN THE ORGANISATION WITHOUT BEING MEMBERS OF THE LEAGUE.

The Fourth Committee was pleased to note the resolution of the Council of 2nd September 1921, authorising the Secretary-General to request the States which are not Members of the League of Nations, but which form part of the technical organisations of the League, to pay their share of the expenses of the technical organisations in which they participate from the beginning of the fourth financial year of the League (1922). The Commission therefore proposes the following recommendation to the Commission :—

Recommendation.

The resolution of the Council of 2nd September 1921, authorising the Secretary-General to request the States which are not Members of the League of Nations, but which form part of the technical organisations of the League, to pay their share of the expenses of the technical organisations in which they participate, from the beginning of the fourth financial year of the League (1922), should be incorporated in the final regulations of the financial administration of the League.

IV.—INCOME AND EXPENDITURE ACCOUNTS.

In accordance with Article 8 of the Assembly Recommendation dated 17th December 1920, the Council, in a Resolution of 23rd February 1921, requested the Swiss Government to authorise the Audit Department of its Ministry of Finance to undertake the duty of auditing the income and expenditure accounts for the second financial period extending from 1st July to 31st December 1920. The Bernese Government has been so good as to instruct M. Ryffel, Head of the Federal Departments of Banking and Accounts, and M. A. Kohler, Deputy-Controller of the Federal Finances, to audit the accounts in question. At the request of the Director of the International Labour Office, these gentlemen also undertook the auditing of the income and expenditure account of the International Labour Organisation for the second financial period, extending from 1st April to 31st December 1920. The two reports of the expert auditors show that they were completely satisfied with the accounts of the Secretariat and of the International Labour Office.

After a detailed examination of the balance-sheets and of the income and expenditure accounts, the Fourth Committee decided to propose to the Assembly that it should, in virtue of Article 12 of the Recommendation of 7th December 1920, cited above, finally pass the expenditure and receipts of the second fiscal period. The Committee added to this proposal the desire that in the future a cash account should be subjoined to the balance-sheet, and to the income and expenditure account, and that this cash account should also be submitted to the expert auditors, who would also audit the expenditure of the Working Capital Fund account. It must also be understood that the documents emanating from the International Labour Office must no longer be expressed in sterling currency.

In virtue of these remarks, the Fourth Committee has the honour to submit the following Resolution to the Assembly for adoption :—

Resolution.

In virtue of Article 12 of the Recommendation, dated 17th December 1920, on the administration of the finances of the League of Nations, the Assembly of the League of Nations finally passes the expenditure and income accounts for the second fiscal period, terminating on 31st December 1920.

V.—BUDGET FOR 1922.

The arrangement of the General Budget for 1922 and the Budget of the International Labour Office, which is attached to it, gives rise to only a few general observations. The Fourth Committee was gratified to note that the suggestions put forward by the Commission of Experts regarding the introduction of the Budget had already in great measure been given effect to in the Draft Budget presented by the Secretary-General. If the estimates for the Labour Organisation are not yet in complete agreement with these suggestions, this is due solely to the fact that the draft had to be prepared at a date when the views of the Commission of Experts were not yet known. The Fourth Committee is satisfied that the Director of the International Labour Office fully shares its views as to the necessity for adopting in the future the same arrangement for the special Budget of the International Labour Organisation, as well as for the schedules and explanatory notes, as for the General Budget of the League.

The estimates laid before the Assembly amounted to a total of 23,768,846 gold francs, of which 8,245,046 gold francs was on account of the International Labour Office. The estimates which the Fourth Committee proposes that the Assembly should adopt amount only to 20,758,945 gold francs, of which 6,135,610 gold francs is on account of the International Labour Office.

This heavy reduction represents economies which it has been possible to realise and which are to a certain extent explained by the fact that the Secretary-General and the Director of the International Labour Office have to present their estimates at the beginning of the year (see Articles 1 and 2 of the Recommendation of the Assembly adopted on 17th December 1920). It has been possible to deduct from the Budget of the International Labour Office an item amounting to 1,364,390 gold francs, by the suppression of the Special Working Capital Fund for that organisation, the General Working Capital Fund fixed at 5,000,000 gold francs being sufficient for the needs both of the Secretary-General and of the Director of the International Labour Office. It is clear that it will be impossible to repeat a reduction of this kind next year. Amongst the reductions made by the Fourth Committee, there appears a general reduction of 25 per cent. on everything connected with printing expenses, this being due to the general fall in prices in this department.

Though a considerable number of reductions have been introduced into the Budget, the Fourth Committee also proposes the inclusion of a certain number of new credits, which are largely accounted for by resolutions of the Assembly itself.

Five schedules are attached to the present Report, the first and fourth of which indicate the modifications entailed by the fact that the Secretary-General and the Director of the International Labour Office are forced to prepare their estimates for the following year as early as the beginning of the financial year. The second schedule sets out the modifications necessitated by Resolutions of the Assembly itself, and the third and fifth schedule, reductions introduced at the suggestion of the Fourth Committee.

The detailed and thorough examination to which the Fourth Committee has subjected the estimates for 1922 has brought to light a very considerable amount of information, and full explanations were asked for and given. As regards details of these questions, this Report can only refer to the minutes of the 13th-17th meetings of the Committee. It is necessary, however, to emphasise a few special points.

If the Fourth Committee has agreed to the credits requested for a subsidiary office for South America (item 3c and item 6b of the General Budget), it has done so on the clear understanding that this office would not be set up before the Council had drawn up a definite scheme for its organisation.

The Fourth Committee, in proposing that the Assembly should grant a special credit of 45,000 gold francs with the object of publishing the *Monthly Bulletin* in several languages (item 8 of the General Budget), is convinced that the Information Section will exercise a wise selection with regard to these languages and will not neglect Hindustani.

With regard to the special estimates dealing with the various items of the General Budget (special organisations of the League), the Committee calls attention to the necessity for these estimates being as detailed as possible.

The important question of the Working Capital Fund has already been dealt with in section 2 of the present Report.

The question of a new building for the International Labour Organisation has long engaged the attention of the Financial Committee of your Assembly. In this connection the Committee passed the following Resolution:—

“The Committee, being invited to take a decision on the principle of the acquisition of a building for the International Labour Office, recognises the urgent necessity of a speedy solution of the question, but finds itself to its sincere regret obliged to defer for one year the solution of this important question:

“In order, however, to manifest its goodwill in this matter, the Committee enters a credit of 20,000 Swiss francs under this appropriation, for the purpose of making plans, estimates, &c., or of making a contract of option in respect of premises for the International Labour Office.”

It follows from this Resolution that the Fourth Committee is of opinion that the 1922 Assembly must have submitted to it a definite and precise proposal as regards the definite installation of the International Labour Office. Meanwhile, the Committee proposes that the Assembly should vote a sum of 12,000 gold francs to be set apart for renting a house near the building at present in use, and for the carrying out of certain improvements and re-arrangements (Division F of the Budget of the International Labour Office), and also a sum of 2,000 gold francs (Division H of the same Budget).

To reduce as far as possible the expenditure of the League of Nations the Fourth Committee recommends finally that for the preparation of new estimates, and for such options as may be contracted, all supplies and articles required by the Secretariat or the International Labour Office, where large quantities are involved (for prices exceeding 10,000 francs) should be obtained as far as possible by means of public tender. A detailed advertisement should accordingly be inserted in two leading foreign newspapers, and also in the *Monthly Bulletin* of the League of Nations.

During the present session of the Assembly, in accordance with the fifth Article of the Recommendation of 17th December 1920, a certain number of proposals were made to the Fourth Committee by the Secretariat and the International Labour Office. The result of these proposals was to modify the General Budget and that of the International Labour Office. The Commission is of opinion that in future all modifications of the Budget which the Secretariat or the International Labour Office would wish the Assembly to adopt should be contained in one document and submitted at the beginning of the session of the Assembly.

On several occasions the Secretariat brought before the Fourth Committee supplementary estimates to cover expenditure resulting from resolutions submitted by certain Committees to the Assembly or which had already been passed by it. The Fourth Committee has, without exception, adopted these supplementary estimates, even when the particular Committee had failed to state the sum it deemed necessary for the execution of its draft resolution. The Fourth Committee is of opinion, however, that, in the interest of a satisfactory administration of the finances of the League, the Assembly should never in future pass a resolution resulting in expenditure without first consulting the Financial Committee of the Assembly as to the advisability of incurring such expenditure in its relation with the general possibilities of the Budget. The Fourth Committee has therefore drafted an amendment to the second paragraph of the Article 14 of the Rules of Procedure of the Assembly and has submitted it to the First Committee.

Finally, and in accordance with the foregoing, the Fourth Committee has the honour to propose the following Resolution to the Assembly:—

Resolution.

“The Assembly of the League of Nations, in accordance with Article 4 of the Recommendation on the administration of the finances of the League of Nations dated 17th December 1920, accepts for the fiscal period 1922 the General Budget of the League and the Budget for the International Labour Office, which are herewith attached and which will be published in the Official Journal.”

I.—MODIFICATIONS IN THE BUDGET PROPOSED BY THE COUNCIL OR THE SECRETARIAT.

Increases.		Reductions.	
Item.	Gold Francs.	Item.	Gold Francs.
3 (a) Salaries of the Secretariat, Information Section -	106,300	9 General office expenses, &c. (c) Cables, &c. -	40,000
8. Publication Department, additional appropriation for <i>Monthly Bulletin</i> -	45,000	13. Economic and Financial organization -	736,000
24. (a) High Commissariat for Russian Refugees -	119,000	15. Transit: Cancellation of Director's salary -	52,500
34. Wireless receiving installation -	2,449	27. Interest on 4,000,000 Swiss francs for six months -	9,493
Total increase -	<u>272,749</u>	29. Interest on 3,500,000 Swiss francs for six months -	8,245
		32. Furniture and fittings -	9,423
		35. Working Capital Fund -	500,000
		Total reduction -	<u>1,355,491</u>
		Total increase -	<u>272,749</u>
		Net reduction -	<u>1,082,842</u>

II.—MODIFICATIONS TO THE BUDGET CONSEQUENT UPON THE ADOPTION BY THE ASSEMBLY OF VARIOUS REPORTS.

Increases.		Reductions.	
Item.	Gold Francs.	Item.	Gold Francs.
4. (c) Travelling expenses of Members of the Secretariat returning home on leave -	50,000	5. Frais de représentation (suppression of the frais de représentation of one Under Secretary-General) -	21,000
7. (b) Travelling and subsistence allowances of Commission of Control -	12,500	Total reduction -	21,000
(c) Expenses of outside persons nominated as Members of the Salaries Adjustment Commission -	5,000	Total increase -	<u>442,500</u>
15. Transit Organisation (regional conferences) -	50,000	Net increase -	<u>421,500</u>
20. Temporary Commission for the Reduction of Armaments -	275,000		
23. Commission of Enquiry on Deportation of Women and Children in Armenia, &c. -	50,000		
Total increase -	<u>442,500</u>		

III.—MODIFICATIONS IN THE BUDGET PROPOSED BY THE FOURTH COMMITTEE.

Increases.		Reductions.	
Item.	Gold Francs.	Item.	Gold Francs.
		9. General Office expenses: (a) Stationery -	50,000
		8. Publication Department -	103,750
		14. Mandates—printing -	2,500
		15. Transit organisation—printing -	6,250
		17. International Health Organisation—printing -	7,875
		18. Supervision of the Opium Traffic—printing -	3,750
		19. Social Questions—printing -	3,750
		33. Library -	61,248
		Total reduction -	<u>239,123</u>

IV.—MODIFICATIONS IN THE BUDGET PROPOSED BY THE INTERNATIONAL LABOUR OFFICE.

Increases.		Reductions.	
	Swiss Francs.		Swiss Francs.
<i>Division C.</i>			
1. Rent, light and heat	- 30,000		
7 (b). Printing, legislative series	- 20,000		
9. Transformation and welfare arrangements for staff	- 50,000		
<i>Division D.</i>			
4. Rome office	- 15,000		
<i>Division E.</i>			
1. Annual conference	- 50,000		
Total increase	- 165,000		
<i>Division B.</i>			
		1. Travelling expenses of staff and allowances	- 50,000
<i>Division C.</i>			
		3. Stationery, &c.	- 50,000
		4. Post, telegraph and telephone	- 50,000
		5. Library	- 40,000
		7 (a). Printing, studies and reports	- 20,000
		8. Printing daily intelligence	- 30,000
		10. Unforeseen expenses	- 30,000
<i>Division D.</i>			
		1. Paris office	- 3,000
		2. London office	- 12,000
<i>Division E.</i>			
		2. Enquiries and investigations	- 75,000
		3. Commissions	- 50,000
		4. Printing, stationery, postage, commissions, &c., for	- 30,000
<i>Division F.</i>			
		1. Office repairs to building	- 70,000
		Total reduction	- 510,000
		Net reduction	- 345,000

V.—MODIFICATIONS TO THE BUDGET PROPOSED BY THE FOURTH COMMITTEE.

Increases.		Reductions.	
	Swiss Francs.		Swiss Francs.
<i>Division G.</i>			
1. Emergency	- 34,325		
Preparation of plans or purchase of options	- 20,000		
Total increase	- 54,325		
<i>Division G.</i>			
		Unappropriated balance	- 500,000
		Total reduction	- 500,000
		Net reduction	- 445,675

Chapters IV. and V

Total reduction in Swiss francs = 790,675.
Total reduction in gold francs = 745,046.

SUMMARY.

	Reductions.
	Gold Francs.
I. Modifications to the Budget proposed by the Council or Secretariat	- 1,082,842
III. Modifications to the Budget proposed by the Fourth Committee	- 239,123
	<u>1,321,965</u>
	Increases.
II. Modifications to the Budget consequent upon the adoption by the Assembly of various reports	- 421,500
	<u>900,465</u>
	Net reduction
IV. and V. Modifications in the Budget of the International Labour Organisation (net reduction)	- 745,046
Surplus credited to International Labour Office	- 1,364,390
	<u>3,009,901</u>
	Total reductions
¹ General Budget of the League	- 20,758,945
	<u>23,768,846</u>
	Original Budget

¹ The total was subsequently raised to 20,873,945 gold francs, owing to the voting of a credits of 100,000 and 15,000 gold francs for the despatch of a Commission of Enquiry to Albania and for the further meetings of the Committee on Allocation of Expenses. (Appendix II., Resolution No 20)

ANNEX 9.—*Traffic in Opium and other dangerous Drugs.*

RESOLUTION ADOPTED BY THE COUNCIL ON THE 28TH JUNE 1921.

The Council of the League of Nations resolves :—

1. That States which are Members of the League and have not signed or ratified the International Opium Convention be invited to do so as soon as possible.

2. That the Netherlands Government be requested to continue its efforts to secure ratification of the International Opium Convention by those States which are not Members of the League.

3. That the Provisional Health Committee of the League, or any other similar organisation, be asked to undertake an enquiry to determine approximately the average requirements of the drugs specified in Chapter III. of the International Opium Convention for medical and other legitimate purposes in different countries.

4. That in order to carry out the obligations under Articles 3 and 5 and under Article 13 of the International Opium Convention, the Governments which are parties to the Convention be invited to adopt the following procedure :—

“ Every application for the export to an importer of a supply of any of the substances to which the Convention applies shall be accompanied by a certificate from the Government of the importing country that the import of the consignment in question is approved by that Government and is required for legitimate purposes.

“ In the case of drugs to which Chapter III. of the Convention applies, the certificate shall state specifically that they are required solely for medicinal or scientific purposes.”

5. That the special attention of the Contracting Powers having treaties with China be invited to the provisions of Article 15 of the International Opium Convention, so that the most effective steps possible should be taken to prevent the contraband trade in opium and other dangerous drugs.

6. That consideration of the Fifth Recommendation of the Advisory Committee on Traffic in Opium be deferred.

7. That in view of the world-wide interest in the attitude of the League towards the Opium question, and of the general desire to reduce and restrict the cultivation and production of opium to strictly medicinal and scientific purposes, the Advisory Committee on Traffic in Opium be requested to consider and report, at its next meeting, on the possibility of instituting an enquiry to determine approximately the average requirements of raw and prepared opium specified in Chapters I. and II. of the Convention for medicinal and scientific purposes in different countries.

REPORT SUBMITTED TO THE ASSEMBLY BY COMMITTEE NO. V.

The abuse of opium is a widespread and terrible scourge in many countries; moreover, it has been realised that it was indispensable to combat this evil, but it was quickly perceived that merely national measures were inadequate.

It was felt, therefore, that this scourge could only be overcome by international agreements.

The International Commission, assembled at Shanghai in 1909, was the first move in this direction. It paved the way for the Hague Conference of 1911-12, which resulted in the conclusion of the Convention of 23rd January 1912. This Convention was to come into force on 31st December 1914, but the outbreak of war unsettled everything. However, the authors of the Treaty of Versailles devoted consideration to the opium peril, and, in Article 23 of the Covenant, they entrusted the League of Nations with the duty of controlling the traffic in opium and other dangerous drugs.

The first Assembly decided at its meeting of 15th December 1920 to establish an Advisory Committee, which, three months before the beginning of each meeting, should submit to the Council a report on all subjects referring to the execution of the agreements regarding the traffic in opium. This Committee met on 2nd to 5th May last.

It began by drawing up a questionnaire as to the measures taken to carry out the terms of the Convention, and this questionnaire was sent by the Secretariat to the various Governments. It also drew up six recommendations which were submitted to the Council. The latter took note of them and passed a resolution containing seven paragraphs.

The Fifth Committee of the second Assembly began its labours, therefore, with these data at its disposal, that is to say, the recommendations of the Advisory Committee and the Council's resolution. It was also assisted in its task by the enlightened assistance of two experts, M. van Vettum and Sir Malcolm Delevingne. The Committee noted in the first place that the Council in its resolution dated 23rd June (see Annex 228 to the Minutes of the 13th Session of the Council), fully approved four out of the six recommendations of the Advisory Committee, but that, on the other hand, it postponed one of these recommendations and widened the scope of another.

It concurred in four paragraphs of the Council's resolution, namely, paras. 1, 2, 4 and 5, and also the second recommendation of the Advisory Committee (see A. 38, 1921. IV.), which was to the effect that each State should make an Annual Report on the carrying out of the Convention. (This recommendation had been approved by the Council, but did not form part of the text of Council's resolution.) But, as differences of opinion had arisen with regard to the other paragraphs, that is to say, Nos. 3, 6 and 7, the Committee appointed a Sub-Committee to reconcile these initial divergencies if possible.

This Sub-Committee held four meetings, and, in spite of the great differences in the views of its members, it was able to arrive at a definite result, thanks to the conciliatory spirit manifested by both sides and thanks also to the skilful guidance of its President, M. de Marees van Swinderen. The report submitted by M. van Swinderen was unanimously adopted by the Fifth Committee.

The Delegates of China and of Siam made a reservation regarding the change proposed in this report as regards para. 7 of the Council's resolution.

What, therefore, are the conclusions laid down before the Assembly by the Fifth Committee in regard to the traffic in opium?

They are as follows:—

Besides the four paragraphs, referred to above, of the resolution of the Council dated 28th June, the Committee submits eight recommendations which I shall have the honour of reading to you, and which, I hope, will be accepted by the Assembly.

1. The Assembly concurs in para. 3 of the Council's Resolution on the understanding that the enquiries undertaken will be of a scientific character, and that, when they apply specifically to any particular country, they will be made through, or with the consent of, the Government of that country.

2. The Assembly recommends to the Council that, in para. 5 of the latter's resolution, it should also draw the attention of the Government of China to Article 15 of the International Convention on Opium.

3. The Assembly recommends to the Council that the enquiry referred to in para. 7 of the latter's resolution should be extended to include all opium the consumption of which may be considered legitimate, and that to this end the word "strictly" be omitted, and the word "legitimate" be substituted for "medicinal and scientific." It further recommends to the Council the omission of the reference to prepared opium, that is to say, to opium prepared for purposes of smoking, the complete suppression of which is provided for in Chapter II of the Convention.

4. The Assembly recommends to the Council that the different Governments be invited, where they see no objection, to furnish to the Secretariat, in addition to the official annual report, any information concerning the illicit production, manufacture or trade in opium or other dangerous drugs which they think likely to be useful to the League in the execution of its task.

5. The Assembly recommends the Council to consider whether all nations specially concerned in either the growth or manufacture of opium or other dangerous drugs should not be represented on its Advisory Committee.

6. The Assembly urges those States Members of the League which have not yet signed and ratified the Opium Convention to do so as soon as possible.

7. In order to facilitate the execution of the Convention, the Assembly urges all States Members of the League which are parties to the Convention to signify to the Secretariat as soon as possible their acceptance of the fourth recommendation of the Advisory Committee relating to the requirement of importation certificates.

8. The Assembly recommends the Council to request the Advisory Committee to extend their investigations to include not only the drugs mentioned in the Convention of 1912, but also all dangerous drugs of whatever origin which produce similar effects, and to advise as to the desirability of convoking a further international conference of States which are parties to the Convention, as well as States Members of the League of Nations, with a view to drawing up a Convention for the suppression of the abuse of such drugs.

Having placed before you the various recommendations, I must make the following observations with regard to three of them:—

As regards the second recommendation, the Committee, after having heard the statements of the Delegate of China on the steps taken by the Government of China in respect of the cultivation of opium, is of opinion that, in accordance with para. 6 of the Resolution of the Council, the consideration of Recommendation No. 5 of the Advisory Committee may be postponed. The statements of the Delegate of China, of which the Committee takes note, are as follows:—

"Between 25th June and 15th August last the Chinese Government appointed seven special High Commissioners to investigate the real situation in eight provinces and two special administrative districts where a recrudescence of poppy cultivation is reported to have been taking place. These Commissioners have started on their mission and some are already beginning their investigations. I believe the Chinese Government will be disposed to make available to the League of Nations the results of these investigations after they are laid before the Chinese Government."

As regards the third recommendation, the grounds for the alterations recommended by the Committee in para. 7 of the Council's resolution are to be found in the very special conditions obtaining in various countries, particularly in India. The Indian Delegate has informed the Committee that the number of properly equipped hospitals and dispensaries in India is inadequate to the needs of the population, which over vast areas is without medical assistance. In order to cope with the diseases with which some of these regions are constantly infected, the population has cultivated the opium poppy from time immemorial, and habitually takes opium in small doses as a prophylactic or an effective remedy. It is this use of opium which cannot be styled purely medical, *i.e.*, that which is prescribed by a physician, that the Committee has in mind in using the term "legitimate."

With regard to the subject of the eighth recommendation, it should be noted that it was at the suggestion of M. Hennessy (France) that the attention of the Fifth Committee was drawn to this subject. M. Hennessy emphasised the abuses due to the sale and consumption of drugs of mineral or chemical origin which are not covered by the terms of the Hague Convention of 1912, observing that the scourge which formerly ravaged the East had since the war become universal, that chemically manufactured drugs were hawked, sold at low prices and consumed in large quantities, and that in view of the fact that the legislation existing in the various countries was insufficient, it was imperative that a further international conference should meet.

I would also draw attention to the representations made by the Persian Delegate, Pirce Atta-ed-Dowleh, as to the desirability of the League of Nations undertaking propaganda work amongst Eastern populations addicted to opium by the distribution of pamphlets pointing out the dangers of consuming this drug.

¹ The following Members of the League have not yet ratified the Opium Convention of 1912 nor signed the Protocol of 1914:—Albania, Argentine, Chile, Columbia, Costa Rica, Finland, Fingruur, Persia, Salvador, Switzerland.

The following have ratified the Convention, but not signed the Protocol of 1914:—Denmark, Venezuela.

² See para. 125 of the Report

The question of the control of the traffic in opium and other dangerous drugs is one of world-wide importance and well worthy of the deepest interest of the Assembly. The first step towards establishing the control with which the League is entrusted by the Treaty of Peace was taken by the Assembly last year, and a satisfactory beginning has already been made. No comprehensive survey of the actual position at the present time will be possible until the replies to the questionnaire which has been issued by the Secretariat have been received and analysed. The results of the questionnaire will be laid before the next Assembly. In the meantime, as will be seen from what has been said above, useful steps have already been taken on the advice of the Advisory Committee which will facilitate the execution of the Convention; and the further suggestions which the Fifth Committee has made in this report will, it is hoped, help to advance the matter still further.

Finally, it should be pointed out that the control of the traffic is attended with great difficulties. Attention was called to some of these difficulties in the case of Eastern countries by the delegate of Persia. It is only by an international body such as the League that these difficulties can be overcome; and for this the wholehearted continuous and efficient co-operation of all the Members will be needed. The Committee ventures to appeal to all Members of the League for such co-operation.

ANNEX 10.—*Draft International Convention for the Suppression of the Traffic in Women and Children, as revised by the drafting Committee appointed by Committee No. V.*

Albania, &c.

Being anxious to secure more completely the suppression of the Traffic in Women and Children described in the preambles to the Agreement of 18th May 1904, and to the Convention of 4th May 1910, under the name of "White Slave Traffic";

Having taken note of the Recommendations contained in the Final Act of the International Conference which was summoned by the Council of the League of Nations and met at Geneva from 30th June to 5th July 1921; and

Having decided to conclude a Convention supplementary to the Agreement and Convention mentioned above:

Have nominated for this purpose as their Plenipotentiaries the President of the Supreme Council of Albania, &c., . . . who, having communicated their full powers, found in good and due form, have agreed upon the following provisions:—

Article 1.—The High Contracting Parties agree that, in the event of their not being already Parties to the Agreement of 18th May 1904 and the Convention of 4th May 1910 mentioned above, they will transmit with the least possible delay their ratifications of, or adhesions to, those instruments in the manner laid down therein.

Article 2.—The High Contracting Parties agree to take all measures to discover and prosecute persons who are engaged in the traffic in children of both sexes and who commit offences within the meaning of Article 1 of the Convention of 4th May 1910.

Article 3.—The High Contracting Parties agree to take the necessary steps to secure the punishment of attempts to commit, and, within legal limits, of acts preparatory to the commission of, the offences specified in Articles 1 and 2 of the Convention of 4th May 1910.

Article 4.—The High Contracting Parties agree that in cases where there are no extradition Conventions in force between them, they will take all measures within their power to extradite or provide for the extradition of persons accused or convicted of the offences specified in Articles 1 and 2 of the Convention of 4th May 1910.

Article 5.—In para. B of the final Protocol of the Convention of 1910, the words "twenty completed years of age" shall be replaced by the words "twenty-one completed years of age."

Article 6.—The High Contracting Parties agree, in case they have not already taken legislative or administrative measures regarding licensing and supervision of employment agencies and offices, to prescribe such regulations as are required to ensure the protection of women and children seeking employment in another country.

Article 7.—The High Contracting Parties undertake in connection with immigration and emigration to adopt such administrative and legislative measures as are required to check the traffic in women and children. In particular, they undertake to make such regulations as are required for the protection of women and children travelling on emigrant ships, not only at the points of departure and arrival, but also during the journey, and to arrange for the exhibition, in railway stations and in ports, of notices warning women and children of the danger of traffic, and indicating the places where they can obtain accommodation and assistance.

Article 8.—The present Convention, of which the French and the English texts are both authentic, shall bear this day's date, and shall be open for signature until 31st March 1922.

Article 9.—The present Convention is subject to ratification. The instruments of ratification shall be transmitted to the Secretary-General of the League of Nations, who will notify the receipt of them to the other Members of the League and to States admitted to sign the Convention. The instruments of ratification shall be deposited in the archives of the Secretariat.

In order to comply with the provisions of Article 18 of the Covenant of the League of Nations, the Secretary-General will register the present Convention upon the deposit of the first ratification.

Article 10.—Members of the League of Nations which have not signed the present Convention before 1st April 1922 may accede to it.

The same applies to States not members of the League to which the Council of the League may decide officially to communicate the present Convention.

Accession will be notified to the Secretary-General of the League, who will notify all Powers concerned of the accession and of the date on which it was notified.

Article 11.—The present Convention shall come into force in respect of each Party on the date of deposit of its ratification or act of accession.

Article 12.—The present Convention may be denounced by any Member of the League or by any State which is a party thereto, on giving 12 months' notice of its intention to denounce. Denunciation shall be effected by notification in writing addressed to the Secretary-General of the League of Nations. Copies of such notification shall be transmitted forthwith by him to all other Members, notifying them of the date on which it was received. The denunciation shall take effect one year after the date on which it was notified to the Secretary-General, and shall operate only in respect of the notifying Power.

Article 13.—A special record shall be kept by the Secretary-General of the League of Nations, containing which of the Parties have signed, ratified, acceded to or denounced the present Convention. This record shall be open to the Members of the League of Nations at all times; it shall be published as often as possible, in accordance with the directions of the Council.

Article 14.—Any Member or State signing the present Convention may declare that the signature does not include any or all of its colonies, overseas possessions, protectorates or territories under its sovereignty or authority, and may subsequently adhere separately on behalf of any such colony, overseas possession, protectorate or territory so excluded in its declaration. Denunciation may also be made separately in respect of any such colony, overseas possession, protectorate or territory under its sovereignty or authority and the provisions of Article 12 shall apply to any such denunciation.

Done at _____ the _____ in a single copy, which shall remain deposited in the archives of the League of Nations.

ANNEX 11.—*Report presented to the Assembly by Committee No. VI, on Mandates.*

Resolution adopted by Committee No. VI.

The Committee, having considered the letter of the 19th September, addressed to its Chairman by the Sub-Committee on Mandates, endorses the views expressed in that letter, and recommends the Assembly to make a communication to the Council in accordance with the suggestion of the Committee.

Letter from President of Sub-Committee "B" to President of Committee No. VI.

Geneva,

19th September 1921.

The Sub-Committee has considered the Draft Resolution handed in at the Assembly by Lord Robert Cecil, in the following terms:—

"The Assembly regrets the delay which has taken place in the definition of the Mandates, recognises that the Council is not responsible for that delay, and is of opinion that it would be desirable that the Mandates of the 'A' and 'B' classes should be forthwith defined."

1. The Sub-Committee fully endorses the view expressed in the first part of Lord Robert Cecil's resolution. It, too, regrets the delay which has taken place in the definition of the "A" and "B" Mandates. At the same time it recognises that the fault cannot be said to lie with the Council.

2. The action of the Council in this matter is fully set out on pages 46-47 of its Report, which was before the Assembly (A. 9). In brief, being apprised of the objection of the United States to the definition of the Mandates without previous consultation with themselves, the Council determined to defer confirmation of the remaining Mandates until the Government of the United States had an opportunity of expressing their views. It is understood that negotiations between the principal Mandatory Powers and the United States are still proceeding, that a Memorandum from the United States was received by these Powers only a few days before the Assembly met and that its terms are now under examination. There would seem no option to the Council but to give time for the conclusion of these negotiations before confirming the remaining Mandates.

3. Nevertheless, the Sub-Committee realises that the delay in the issue of the remaining Mandates may cause anxiety and apprehension, anxiety because the trust conferred by Article 22 of the Covenant of the League of Nations on the Mandatories has not yet been fully defined; and because, in the absence of the completed Mandates, the sacred trust laid down by that Article may not in all respects be fulfilled.

4. The Sub-Committee has not felt it part of its duties to examine the draft Mandates "A" and "B" nor yet to consider the reports which the Mandatory Governments have in some cases, at any time, submitted to their national Parliaments, and communicated to the Council for information, in the administration of the mandated territories confided to their charge during their preliminary period. The world, however, will be able to draw its own conclusions from these documents, which are now public property, and from others which will shortly be available, and it is to be hoped that the anxiety and apprehension alluded to in the previous paragraph will be allayed by their publication.

5. With regard to the "A" Mandates, the Sub-Committee feels that it would be in any case desirable to press for immediate action by the Council. It takes note of the fact that the Treaty of Versailles has not yet been ratified by the Powers. As to these Mandates, the Sub-Committee would express its hope that, so long as the transitory conditions continue, the administration of the territories in question will still be carried out in the spirit of Article 22 of the Covenant.

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The "B" Mandates, however, are in a different category, seeing that they are founded upon the Treaty of Versailles, which has been ratified. Moreover, drafts of all the "B" Mandates have been before the Council since the beginning of the present year. Even if these drafts are still subject to alteration in details, are not the principles enunciated such as could command the approbation of the Council? Finally, the French and British Governments were charged by the terms of the decision of the Supreme Allied Council of 7th May 1919 with the duty of coming to an agreement upon the future of Togo and the Cameroons, which they would recommend the League of Nations to adopt. This agreement has now been reached and it is desirable that the Council should, at the earliest possible opportunity—

- (a) Formally approve the application of the Mandate system to Togoland and the Cameroons ;
- (b) In particular, adopt, in principle, the declarations signed by the representatives of the French and British Governments on 10th July 1919, as to the respective spheres which are to be placed under the authority of each Government.

7. Accordingly, the Sub-Committee suggests that much will be gained if the Council could be invited by the Assembly forthwith to address a despatch to the Powers entrusted with the administration of the territories referred to in Article 23, para. 5, of the Covenant, indicating that, whilst the Council has not felt able to proceed with the confirmation of the "B" Mandates pending the results of the negotiations now proceeding between the principal Allied Powers and the United States, and whilst examination of the details of these Mandates must necessarily be reserved in view of modifications which it may eventually be found suitable to make in the terms of these Mandates, the Council is satisfied by its perusal of the drafts (if such should be the case) that, generally speaking, the principles there laid down express the high objects which the Covenant has in view and lay down, in a spirit in harmony with that of the Covenant, safeguards for the rights of all Members of the League.

The Sub-Committee would further represent that the Council should now formally approve the application of the Mandates system to Togoland and the Cameroons, and, in particular, adopt, in principle the declarations signed by the representatives of the French and British Governments on 10th July 1919, as to the respective spheres which are to be placed under the authority of each Government. Finally, it might be suggested that the Council should express its confidence that Mandatory Powers will continue to exercise the administration of the territories committed to their charge in the spirit of the draft Mandates until such time as the position shall have been definitely regularised.

8. The Sub-Committee feels convinced that this action by the Council, in particular such a communication from the Mandatory Powers, and such a measure of confirmation of the terms of the "B" Mandates, would not only be welcomed by the Mandatory Powers themselves, but would serve as a token to the world of the earnestness of the League in pressing for the speedy realisation of the aims of Article 22 of the Covenant.

APPENDIX IV.

Certain Speeches delivered by the Delegates of India at Plenary Meetings of the Assembly. and Resolutions proposed by Sir William Meyer in Committee No. IV.

ANNEX I.—*Speech delivered by the Right Hon V. S. Srinivasa Sastri, on the 12th September, in the Debate on the Work of the Council.*

As you have been informed, I come from India, separated from you by many thousands of miles, but I trust you will recognise akin to you, alike in loyalty to the League, in the spirit of humanity, and in zeal for the welfare of our kind. Coming rather late in this debate, I have had the rare advantage of listening to many speeches in connection with our work. I have heard a note here and there of pessimism. I do not wonder. I have heard much criticism, valuable and wholesome to those who are engaged in high and serious tasks, but I am happy to think that the dominant note of all the speeches has been one of hope for the future, enthusiasm for the ideals that underlie our work, and for the peace and goodwill amongst the nations of the world that we wish to see established on a firm and unalterable basis. I confess I have been moved to my inmost depths by what I have seen and heard. Hard and cold, indeed, must be the heart that fails to be touched, and touched to noble issues, by a spectacle such as this. The nations of the world foregather from the ends of four continents, representing many shades of colour, many varieties of political and social thought, and many states and grades of culture and advance in all directions—peoples small and great, weak and strong, but all alike weary of the mistaken past, eager for a better day for mankind, and resolved, with bruised and bleeding hearts, to stand by higher ideals for human kind.

And yet one has very often been hearing, during the last few days, of people standing outside the organisation, criticising our work as from a different planet, unconcerned spectators whose only duty is to find fault and fix blame on particular people. I confess I have no patience with that sort of critic. The friendly appraiser of good and evil, who is anxious for improvement, one has use for; one can listen to him with respect and with attention; but to those who will not take a share in the work we can only turn a deaf ear to their cold criticisms. When a man has told me: "The League has not done this," I am inclined to ask whether he is not to blame for it. When he has told me: "There are these tasks still unfinished," I am inclined to ask him: "Why do you not come in and

end a helping hand?" If he says "There is no room for me in the Assembly, which consists only of a certain number of people," my answer to him is that there is work inside the Assembly and here is work outside the Assembly. The work outside is not less important, not less necessary, but sometimes far more difficult, far more onerous and far more exhausting, I may say, than the work inside the Assembly. We want an army of workers in every country to educate the hearts of the people, to make them realise the high aims and tasks of this League of Nations, and, in fact, to be propagandists, in season and out of season, amidst discouragement and cynicism and difficulties of every sort. We can spare many critics of the kind that I have alluded to, and wish for helpers, in his spirit.

We have been bidden to cast our glance down the list of contents to be able to appreciate the magnitude and variety, the delicacy and the difficulty, of the tasks undertaken by the League. That represents, no doubt, a great part of the truth. But I would ask people not merely to be content to look at the table of contents, but to turn also to the inside pages of the Report that has been presented to us. There we shall see accounts of great work undertaken and great work accomplished. It may be that the Report is not presented in an attractive and literary form, but we can read between the lines. We can read the anxiety, we can read the industry, we can read the plans carefully made and vigorously executed for the accomplishment of the record that is down therein. If the League has so far been rather cautious in undertaking work, I ask: Is that necessarily a defect? We all know how long great institutions take to strike root, and as we know that this League is breaking entirely new ground, we should wait in patience for great results, should we not? Do we not know that those who snatch before the time often fail of their grasp and come to grief? Should we rather that the League undertook impossible tasks, came into collision with the Great Powers, and tried to upset and go against human nature, and thus dash all our hopes of the future? Should we not rather praise the League for the cautious steps it takes, so that the first tasks that it undertakes it may carry on to a successful and triumphant conclusion, that it may hereby be enabled in the face of the world to undertake the greater tasks that lie ahead.

I believe in the wisdom of the old proverb that you ought not to bite off more than you can chew. That the League has limited its scope and its activity I regard rather as a merit and proof of wisdom than as an occasion for adverse criticism. Should we not wish for more? Take, for instance, this war between Greece and Turkey. We all wish that it were in the power of the League to have prevented this in the beginning, or to terminate it to-day.

It seems almost as though the nations of Europe had made up their minds that, when human passions are at their worst, instead of allaying and diverting them, the right and proper thing was to let them work themselves out in their malignant fury and virulence.

Take, again, the question of Upper Silesia. What better testimony to the promise that the League has so far held out than that the Supreme Council should, in their perplexity, have yielded up this question of great moment to the solution of this great organisation? It is a great test and a great opportunity for the League of Nations to establish itself in the heart, not only of Europe, but of the civilised world. I know that it is the Council, and not the Assembly, which is charged with the great task of settling this problem. Nevertheless, the Assembly has a mighty rôle to perform in this matter. Whether in this matter of Upper Silesia, or any other great tasks between Powers, the Council has a very delicate and a very onerous responsibility resting on its shoulders. It may do its work with the utmost impartiality, with the most conspicuous ability, with the most unwearied industry; nevertheless, for the results of its work to be acceptable, for its judgments to be taken by the Great Powers concerned; it is necessary that the sympathy and support of the Assembly should be constantly in attendance on the work of the Council at every stage. The Assembly cannot afford to efface itself in this matter. We, representing the different peoples of the world, are in a measure custodians of the peace of the world. We, I dare to say it, are the authentic voice by means of which the conscience of the world will speak. Our duty lies here, to try and understand, to wait in patience till the Council is able to take us into its confidence, and then, with due discrimination and with a sense of responsibility, to stand behind the Council and lend them our hearty support. The Council will find it necessary, therefore, from time to time to be in living touch with opinion in the Assembly, with the wishes and feelings of the Members represented here, and likewise, also, at every stage to publish such records as may be safely published, so that they may have behind them, as I said, always the moral support of the Assembly. I do not say that the Council are going to fail in giving this due publicity, but I think it is necessary, from every point of view, to add our voice to the great demand that has been made on them so far by demanding that this publicity should never at any moment be neglected.

It is just possible that in the greatness of their task the Council may feel deterred by undue public criticism. It is just possible—who knows? We are dealing with human nature—it is just possible that they may sometimes like to wrap themselves up in oligarchic mystery. It is necessary, therefore, for the Members of this Assembly to assure them that, if they treat us in the proper spirit, their goodwill and confidence will be reciprocated in abundant measure, and rewarded a thousandfold. We, for our part, have often been criticised as representatives of the little Powers, more or less, like units in a democratic Assembly, to be treated with consideration, but never to be fully trusted, and oftentimes to be set aside as noisy brawlers.

Brother and sister Delegates, criticism of this sort is bound to come. We know there are always plenty of people who rail at democracy, democracy whether amongst individuals or amongst the nations of the world. We have, therefore, to remember that, in the face of hostile opinion, we have not to establish ourselves as people who will do their great duty without fear or favour. Some of us may be small, and may be threatened by the larger Powers around us; others amongst us may be in search of commercial and trading facilities, and may find it necessary therefore, if they are prudent, to accommodate ourselves to the selfish plans of other people. I think that our supreme duty lies in believing, as has been pointed out by the Delegates from Belgium and Persia, that we are not here to further the interests of the countries which we may happen immediately to represent, but we must constantly bear in mind that we are, each and every one of us, bound to act in the interests of all the others; that we are cosmopolitan really, that we are citizens of the world, and not merely of the limited countries which we happen for the moment to represent. We must resolutely refuse to be bought by any bribe, whether of political privilege or of trade facilities. We must not be

ANNEX 3.—*Memorandum by Sir William Meyer, with Resolutions moved in Committee No IV., on the subject of the Allocation of the Expenses of the League.*

MEMORANDUM.

The Revillard Committee's scheme is faulty in the following respects :—

(a) It brings into account population as a separate factor, although a State whose population is poor but large gets population taken into account in the consideration of its revenues.

(b) The population and revenue figures of the colonial possessions of Great Britain, France, Belgium, and Holland have not been taken into account, and yet these obtained the benefit of the League's peace, and so on

(c) The factor of "capacity to pay" is a most difficult one to arrive at. In every country there are disputes as to the capacity to pay between various categories of taxpayers, and this is not a question which can be solved by the consideration of revenue figures going back to the year 1913, when, moreover, the limits of certain States were materially different from what they are now.

(d) As regards Federal States, the revenues of the Central Government have only, as a rule, been taken into account, which is obviously not fair to unitary States. India is specially interested in this matter seeing that her finances are now on a federal system (they were not in 1913), the revenues of the Central and Provincial Governments being now quite distinct.

If the Provincial revenues of India are taken into consideration, so should those of the Provinces or States of other Federal countries.

(e) States cannot be simply assessed on their revenue capacity, and allowance must be made for the benefits all derive from the League. The Special Committee profess to have weighted the figures resulting from revenue and population tests with this object, but this has been done arbitrarily and inadequately, seeing that some of the States will only pay about $\frac{1}{500}$ th part of the total League Budget and the next lowest class about $\frac{1}{2}$ per cent.

(f) Nor again has account been taken of the special benefits derived by States permanently represented on the Council of the League and those, for the time being, represented on the Governing Body of the International Labour Organisation. India, on the other hand, gets very small benefit from the League.

(g) Taking as a round figure for purposes of illustration a total Budget of 25,000,000 gold francs, India would, under the present Postal Union scheme, pay 1,225,000 gold francs; under the intermediate scheme suggested in the Reveillard Committee's Report she would pay about the same, viz., 1,256,000 gold francs; but under the final scheme she would pay about 1,655,000 gold francs.

India would have no objection to a material increase in her subscription if it were arrived at on a scientific basis, but the final scheme of the Reveillard Committee does not afford any such criterion, and consequently my Government is entirely opposed to the final scheme, but would, for the present, fall in with the intermediate scheme.

RESOLUTION I.

While paying due homage to the zealous efforts of the Special Committee, Committee IV. cannot accept their final scheme as an equitable and scientific adjustment of future contributions to the League's expenses. It contains many defects by reason of the at present inevitable use of out-of-date statistics and otherwise, and as a purely provisional allocation, the intermediate scheme suggested by the Special Committee itself at the close of the Report appears to be more suitable. It is, therefore, desirable in the interests of unanimity, that this intermediate scheme should be accepted for the present, with effect from 1921, and that its replacement by really scientific methods of adjustment should be deferred till better indices as to capacity to pay, &c., are available.

RESOLUTION II.

In the event of Committee IV. deciding to adopt, by a majority, the Special Committee's final scheme, the delegate for India will move the following amendments :—

(I.) That greater stress be laid on the factor that abstract relative capacity to pay should be modified with reference to the benefits accruing to all Members of the League and to certain States in particular. Consequently :—

(a) All States represented as of right on the Council of the League should be placed in Class I, as was proposed at Brussels.

(b) All States which have been admitted to the Governing Body of the International Labour Organisation in the capacity of great industrial Powers should, if not already in Class I. or Class II., be placed in Class II.

(c) The subscriptions in the lower categories of the scheme should be raised, so that States in Class VII. shall be assessed to contributions at not less than 3 units, States in Class VI. at not less than 6 units, and States in Class V. at not less than 12 units.

GENERAL RESOLUTION.

This Committee pays homage to the work done, under most difficult circumstances, by the Committee of Experts.

Considering, however, that their labours were based on ancient statistics, and time did not permit them to give full examination to factors which are essential in evolving any definite allocation among the States of the League, e.g. the financial position of Federal Governments, the colonies of certain Powers, the special benefits that particular States may derive from the League, and so on :

Considering also the absolute necessity for States, which are asked to pay more than at present, being able to recognise the justice of this demand :

Committee IV. proposes that the Special Committee of Experts should resume its labours, and should study the problem before it with reference to more recent statistics, and to other requisite factors.

It is hoped that in this way the Special Committee will be able to arrive at a scheme which will evoke general acquiescence, and which could hold the field for a period of, say, five years.

This course is facilitated by the fact that no change in the existing allocation, which is based on the Universal Postal Union, can be carried out without amendment of the Covenant, and that such amendment must necessarily take time.

Meanwhile, it is proposed that allocations shall continue to be on the existing basis, which is sanctified by the Covenant as it stands, and has received the adhesion of all the States Members of the League.

ANNEX 4.—*Speech delivered by Sir William Meyer in the Assembly on the 3rd October, on the subject of the Financial Administration of the League*

I desire to pay the warmest tribute in my power to my friend M. van Eysinga for the very clear and lucid report which he has submitted to us. It was not at all an easy matter. As he has indicated, our discussions in Committee No. IV. were lengthy and ranged over many topics. They were a bit confused, because every now and then our thoughts were switched off some matter to which we were devoting attention by an urgent call to vote funds for something which the Assembly had passed that morning. We also on occasion—very rarely, I must say—exercised the privilege of changing our own minds. I was filled with admiration that out of this chaotic mass, so to speak, of decisions which we had come to, and resulting figures, M. van Eysinga has been able to produce the very clear succinct account which we have before us in the shape of his report.

I also warmly associate myself with his tribute to Sir Herbert Ames, who must have felt, sitting on our Committee, rather a weariness of the flesh, but who nobly dissembled his feelings; he was always ready to give us the information that we wanted, sometimes more than we wanted, and his accounts were presented in a very clear form. In fact, looking back, the only thing that I had not noticed on the very full statement of establishments which he presented to us was the Secretariat watch-dog! I understand that that estimable but somewhat soporific animal is on the establishment of the League and gets an allowance of 30 francs a month in consideration of the high cost of living in Geneva.

M. Thomas was very helpful to us. Last year in No 4 Committee we were quite infants, so to speak, and I think M. Thomas considered that too much knowledge might not be good for us, so he only gave us globular estimates. We have got older and wiser this year, and M. Thomas has met all our desires for information and submitted very clear and lucid accounts.

I should also like to say that Committee No. 4 might have been sitting yet, and possibly a bit longer, if it had not been for the very excellent way in which our Chairman, M. Edwards, controlled us. He was an admirable Chairman, full of knowledge and impartiality, but also most anxious to get along, even at the cost of late night sittings.

If my friend, M. Edwards, should ever be out of a job I would recommend him to seek employment under Lord Northcliffe as a champion hustler. We had very long discussions on these estimates, as M. van Eysinga has told you, and we have been able to make considerable economies. Last year's budget amounted to 21,250,000 gold francs; that for this year, including the eleventh-hour estimate for Albania, amounts to 20,859,000 gold francs, after providing for supplementary estimates. But I want you to bear in mind that a large part of this economy is not of a permanent character. That is brought out on page 6 of the Report, where it is stated that it has been possible to deduct from the Budget of the International Labour Office an item amounting to 1,364,039 gold francs, representing the savings obtained or expected by the Labour Office up to the end of 1921. It was quite right under present circumstances to take that amount as an abatement, but it is obviously a windfall which cannot recur, whereas most of our charges will do so. Without that windfall our Budget for 1922 would have been a little more than for 1921 instead of less.

India was much to the fore in criticisms of the Budget last year, both in the Fourth Committee and in the Assembly, and I think we may say that those criticisms have resulted in a material improvement. I would specially note the fact that the outside Committee of Control which we suggested last year, but at that time fruitlessly, has now come to birth, and is going, I believe, to produce most excellent results. Remember that the sun rises in the east, and the light only comes to the west a little later. I and some others would have preferred economies this year which go beyond those that have been adopted, but I am not going to condemn the Budget because the proposals for these economies have not found acceptance. I do hope, however, that what may be deemed our folly to-day will be accepted as the wisdom of to-morrow. I entirely associate myself with what has been said in the report and by M. van Eysinga concerning the difficulties we have had with regard to fresh claims which constantly make their appearance, some of which have been passed by the Assembly on the independent report of other Committees. I am very glad that the Fourth Committee agreed unanimously to recommend the procedure that is set forth in the report, and its adoption, I am sure, will materially facilitate the regular control, and, I may add, lighten the burdens of the Secretariat. Take, as an instance, the matter of which M. van Eysinga has spoken and which was brought to our notice this morning—that of the estimate for the Albanian Enquiry. M. van Eysinga has spoken of it in a very restrained manner, considering the a trouble it has caused. After all the Budget figures were tabulated and printed, we had a resolution proposed by Lord Robert Cecil—*ex Africa semper aliquid novi*—involving an addition of 100,000 francs in respect of this Committee of Enquiry in Albania. I should like in passing to pay a tribute to the universal genius of the noble Lord who represents South Africa. He is a citizen of the world, and although his country is far distant, he takes the most acute

interest in the affairs of Europe and the Far East, including such lands as Albania and Armenia, and Lithuania and Russia, he busies himself in the prevention of poison gas, blockade and other matters of international concern; but I do most respectfully wish to say, while paying homage to these manifold activities, that one can generally predict of them that in one way or another they will mean an increase in expenditure. On the other hand, in the Second Committee, I found that the senior representative of South Africa there was quite an austere economist on occasion and most laudably anxious that the League in general, and his country in particular, should not have its expenditure increased. I entirely agree with M. van Eysinga as to the absolute necessity for economies, especially in the matters connected with our technical organisations. It is an ungrateful task, as I said in the Fourth Committee, to take this line, but, after all, it is in the best interests of the League. We have to remember two great points. One of these is, as my friend M. Hanotaux told us in the Second Committee, that we must take very great care in respect to these international organisations not to foster the idea that the League aspires to be a super-State, and to meddle with the interior affairs of other countries. The other is that additions to the Budget are very closely scrutinised when the time comes to pay for them by the Parliaments of the world, and especially by these very distant lands, who—I exclude South Africa, of course—take perhaps a very moderate interest in the affairs of the League and are not conscious of deriving any great benefit from its activities. It is most essential that we should not give a handle to those who attack the League on the ground of increasing extravagances, that we should be free from this reproach and should show them that we are thoroughly desirous of keeping down expenses as far as may be, and that we are going to try and combine economy with efficiency. I will not take up your time longer. Last year I had to be a severe critic; this year, speaking on behalf of India, I give a hearty welcome to the Budget as presented, and to the reforms that have been effected, and express the confidence that these reforms will, as time goes on, be extended still further.
